# MONTANA LEGISLATIVE HISTORY

Chapter 292 1997

Bill H 543 S _____ Original bill & history ✓C

H. Committee on Bus + Labor

Hearing Date(s) _____ ___C

2/18 ✓C

_____ ___C

_____ ___C

Date Out 2/19 ✓C

S. Committee on Bus + Labor

Hearing Date(s) _____ ___C

3/20 ___C

_____ ___C

_____ ___C

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Did this bill originate in an interim committee? ___Yes ___No

Committee _____ Report _____

House B&L
2/18 exhibit 5 & 6 are for gambling bill

Senate 3/25
no exhibits 4 & 5

## LEGISLATIVE HISTORIES

The 1997 Montana Legislature dramatically changed the nature of legislative minutes. This altered format continues with the 1999 legislative minutes. The minutes from House committees are extremely sparse in content, offering no substantive information from which to glean legislative intent. The Senate committees' minutes are fuller in content.

Exhibits, which include written statements, attendent information, roll call votes, roll call attendance, a list of those from the public who were present, and specific action taken on legislative bills, will be available only through the Historical Society Archives, 444-4774, and from a CD-ROM produced by the Legislative Services Division, 444-3064.

Just as in the 1997 legislative session, the 1999 House and Senate committee hearings were recorded. For information on accessing the tapes, or purchasing them, contact the Archives, 444-4774.

If you have concerns over the format of these legislative minutes, it is suggested that you contact your state legislators.

HB 542 INTRODUCED BY PECK *LC1297 DRAFTER: ERICKSON*

REVISE THE OUT-OF-COUNTY TUITION LAWS

| | | | |
|---|---|---|---|
| 2/13 | INTRODUCED | | |
| 2/13 | FIRST READING | | |
| 2/13 | REFERRED TO EDUCATION & CULTURAL RESOURCES | | |
| 2/13 | FISCAL NOTE REQUESTED | | |
| 2/17 | HEARING | | |
| 2/19 | FISCAL NOTE RECEIVED | | |
| 2/19 | FISCAL NOTE PRINTED | | |
| 2/20 | COMMITTEE REPORT—BILL PASSED AS AMENDED | | |
| 2/21 | REVISED FISCAL NOTE REQUESTED | | |
| 2/25 | REVISED FISCAL NOTE RECEIVED | | |
| 2/25 | 2ND READING PASSED | 83 | 16 |
| 2/26 | 3RD READING PASSED | 84 | 15 |
| | TRANSMITTED TO SENATE | | |
| 3/04 | FIRST READING | | |
| 3/04 | REFERRED TO EDUCATION & CULTURAL RESOURCES | | |
| 3/06 | REVISED FISCAL NOTE PRINTED | | |
| 3/17 | HEARING | | |
| 3/25 | COMMITTEE REPORT—BILL CONCURRED AS AMENDED | | |
| 4/04 | 2ND READING CONCURRED AS AMENDED | 26 | 24 |
| 4/07 | 3RD READING FAILED | 20 | 30 |

HB 543 INTRODUCED BY SCHMIDT, ET AL. *LC0903 DRAFTER: ERICKSON*

PROHIBIT AN INSURANCE COMPANY FROM REQUIRING AN INSURED PERSON TO USE A SPECIFIC AUTOMOBILE BODY REPAIR SHOP

| | | | |
|---|---|---|---|
| 2/13 | INTRODUCED | | |
| 2/13 | FIRST READING | | |
| 2/13 | REFERRED TO BUSINESS & LABOR | | |
| 2/18 | HEARING | | |
| 2/19 | FISCAL NOTE REQUESTED | | |
| 2/20 | COMMITTEE REPORT—BILL PASSED AS AMENDED | | |
| 2/20 | FISCAL NOTE RECEIVED | | |
| 2/21 | FISCAL NOTE PRINTED | | |
| 2/25 | 2ND READING PASSED | 97 | 0 |
| 2/26 | 3RD READING PASSED | 100 | 0 |
| | TRANSMITTED TO SENATE | | |
| 3/04 | FIRST READING | | |
| 3/04 | REFERRED TO BUSINESS & INDUSTRY | | |
| 3/20 | HEARING | | |
| 3/26 | COMMITTEE REPORT—BILL CONCURRED | | |
| 4/04 | 2ND READING CONCURRED | 43 | 6 |
| 4/05 | 3RD READING CONCURRED | 44 | 6 |
| | RETURNED TO HOUSE | | |
| 4/08 | SIGNED BY SPEAKER | | |
| 4/10 | SIGNED BY PRESIDENT | | |
| 4/10 | TRANSMITTED TO GOVERNOR | | |
| 4/18 | SIGNED BY GOVERNOR | | |
| | CHAPTER NUMBER 292 | | |
| | EFFECTIVE DATE: 04/18/97 | | |

HB 544 INTRODUCED BY GRADY, ET AL. *LC1249 DRAFTER: FOX*

REVISE THE REGIONAL CORRECTIONAL FACILITY ACT TO PERMIT THE DEPARTMENT OF CORRECTIONS TO ENTER INTO AGREEMENTS WITH CORPORATIONS

2/13 INTRODUCED

House BILL NO. 543

INTRODUCED BY Schmidt Boyce Stovall McRae Ryan Bird
Peterson Brainard Parkin Foster Ore Wagner Simpson
Ellis Ahner Stevens Anderson Gillan
Hood Wells Lash Lewis
McCulloch Ewer Keenan Merrill Krueger Bookout

A BILL FOR AN ACT ENTITLED: "AN ACT PROHIBITING AN INSURANCE COMPANY FROM REQUIRING AN INSURED PERSON TO USE A SPECIFIC AUTOMOBILE BODY REPAIR SHOP; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Propelin

NEW SECTION. **Section 1. Designation of specific automobile body repair shops prohibited.** (1) An insurance company, including its producers and adjusters, that issues or renews a policy of insurance in this state covering, in whole or in part, a motor vehicle may not:

(a) require that a person insured under the policy use a particular automobile repair business or location; or

(b) engage in any act or practice that intimidates, coerces, or threatens an insured person or provides an incentive or inducement for an insured person to use a particular automobile repair business or location. For the purpose of this section, an insurance company's reference to a warranty issued by an automobile body repair service is not considered an incentive or inducement.

(2) If an insurance company, including its producers and adjusters, provides an insured with a list of particular automobile repair businesses or locations, in addition to the prohibition in subsection (1)(b), the insurance company may not state, suggest, or imply that an automobile body repair service not on the list does not:

(a) provide prompt, dependable, or quality service;

(b) provide warranties or guarantees on work quality; or

(c) have adequate equipment or trained personnel.

(3) The insured may use a company or location at the insured's sole discretion, and subject to subsection (4), the insurance company shall promptly pay for the cost of the automobile body repair services for covered damages, less any deductible under the terms of the policy.

(4) This section does not require an insurer to pay more for automobile body repair services than the lowest prevailing market price, as defined in 33-18-222.



HB 543
INTRODUCED BILL

(5) For purposes of this section, "automobile repair business or location" does not include a business or location that provides automobile glass replacement, glass repair services, or glass products.

NEW SECTION. **Section 2. Codification instruction.** [Section 1] is intended to be codified as an integral part of Title 33, chapter 18, part 2, and the provisions of Title 33, chapter 18, part 2, apply to [section 1].

NEW SECTION. **Section 3. Effective date.** [This act] is effective on passage and approval.

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0543, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:
An act prohibiting an insurance company from requiring an insured person to use a specific automobile body repair shop.

ASSUMPTIONS:
1. The State Auditor's Office (SAO) will conduct five violation investigations per year. Two of these investigations will result in cease and desist orders and the associated hearings each year.
2. Existing staff will conduct the compliance investigations.
3. Agency legal services will be used for legal assistance during the hearing process.
4. The costs of the two hearings each year will be paid by the SAO.

FISCAL IMPACT:

State Auditor's Office:

| | FY98 Difference | FY99 Difference |
|---|---|---|
| Expenditures: | | |
| Operating Expenses | 8,100 | 8,100 |
| Funding: | | |
| General fund (01) | 8,100 | 8,100 |

Dave Lewis 2-20-97
DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

TRUDI SCHMIDT, PRIMARY SPONSOR DATE

# MINUTES

## MONTANA HOUSE OF REPRESENTATIVES
## 55th LEGISLATURE - REGULAR SESSION

## COMMITTEE ON BUSINESS & LABOR

**Call to Order:** By **CHAIRMAN BRUCE SIMON**, on February 18, 1997, at 8:00 AM, in Room 104.

### ROLL CALL

**Members Present:**

Rep. Bruce T. Simon, Chairman (R)
Rep. Paul Sliter, Vice Chairman (Majority) (R)
Rep. Robert J. "Bob" Pavlovich, Vice Chairman (Minority) (D)
Rep. Joe Barnett (R)
Rep. Rod Bitney (R)
Rep. Sylvia Bookout-Reinicke (R)
Rep. Charles R. Devaney (R)
Rep. David Ewer (D)
Rep. Kim Gillan (D)
Rep. Billie Krenzler (D)
Rep. Bob Lawson (R)
Rep. Rod Marshall (R)
Rep. Gay Ann Masolo (R)
Rep. Wes Prouse (R)
Rep. Carolyn M. Squires (D)
Rep. Jay Stovall (R)
Rep. Cliff Trexler (R)
Rep. Joe Tropila (D)
Rep. Carley Tuss (D)

**Members Excused:** None

**Members Absent:** None

**Staff Present:** Stephen Maly, Legislative Services Division
Pati O'Reilly, Committee Secretary

**Committee Business Summary:**

Hearing(s) & Date(s) Posted: HB 541; HB 543; HB 545 539;(2/13/~~97~~)
Executive Action: HB 447; HB 533; HB 532;

### EXECUTIVE ACTION ON HB 447

**Motion**: **Rep. Stovall** moved do pass HB 447
*{Tape: 1; Side: 1; Approx. Time Count: 1.1; Comments: None.}*

Closing by Sponsor: **Rep. Grimes** closed.
*{Tape: 1; Side: 2; Approx. Time Count: 45.0; Comments: None.}*

## HEARING ON HB 543

Opening Statement by Sponsor: **Rep. Schmidt,** H.D. 42 introduced HB 543. **EXHIBIT 8.**
*{Tape: 2; Side: 1; Approx. Time Count: 2.; Comments: None.}*

Proponents' Testimony:
**Frank Crowley, attorney**
*{Tape: 2; Side: 1; Approx. Time Count: 8.0; Comments: None.}*

**Rep. Matt Brainard**
*{Tape: 2; Side: 1; Approx. Time Count: 12.4; Comments: None.}*

**Dick Anderson, Superior Auto Body**
*{Tape: 2; Side: 1; Approx. Time Count: 12.8; Comments: None.}*

**Mike Ortloff,Helena, MT EXHIBIT 5 AND 6.**
*{Tape: 2; Side: 1; Approx. Time Count: 13.2; Comments: None.}*

**Willis Orseck, Helena, MT**
*{Tape: 2; Side: 1; Approx. Time Count: 13.8; Comments: None*

**Larry Deschner, Auto, Inc.**
*{Tape: 2; Side: 1; Approx. Time Count: 14.9; Comments: None.}*

**Gary Landford, Three Way Auto Body**
*{Tape: 2; Side: 1; Approx. Time Count: 16.0; Comments: None.}*

**Ted's Body Shop, Great Falls, MT. EXHIBIT 7.**
*{Tape: 2; Side: 1; Approx. Time Count: 17.8; Comments: None.}*

**E. Scott Perry, auto worker**
*{Tape: 2; Side: 1; Approx. Time Count: 20.; Comments: None.}*

**Tom Edwards**
*{Tape: 2; Side: 1; Approx. Time Count: 20.7; Comments: None.}*

**Pinnacle Glass Owner, Don**
*{Tape: 2; Side: 1; Approx. Time Count: 21.; Comments: None.}*

**Ken Burgett, Auto Craft Collision and Repair**
*{Tape: 2; Side: 1; Approx. Time Count: 21.8; Comments: None.}*

**Darrel Nygaard, Gt Falls, MT**
*{Tape: 2; Side: 1; Approx. Time Count: 22.0; Comments: None.}*

**Lyle's Auto Body, Gt Falls, MT**
*{Tape: 2; Side: 1; Approx. Time Count: 22.2; Comments: None.}*

**Willy Smith, Great Falls, MT**
*{Tape: 2; Side: 1; Approx. Time Count: 22.4; Comments: None.}*

**Scott Odegard, Gt. Falls, MT**
*{Tape: 2; Side: 1; Approx. Time Count: 23.6; Comments: None.}*

**Mark Holly, Missoula, MT**
*{Tape: 2; Side: 1; Approx. Time Count: 23.8; Comments: None.}*

**Keith Cook, Missoula, MT**
*{Tape: 2; Side: 1; Approx. Time Count: 24.6; Comments: None.}*

**Frank Cote, State Auditor's Office, Dep. Dir. of Insurance**
*{Tape: 2; Side: 1; Approx. Time Count: 24.; Comments: None.}*

**Lorretta Miller, MT Auto Salvagers, Helena, MT**
*{Tape: 2; Side: 1; Approx. Time Count: 25.0; Comments: None.}*

Opponents' Testimony:
**Larry Akey, National Assn. of Independent Insurers.. EXHIBIT 9.**
*{Tape: 2; Side: 1; Approx. Time Count: 25.6; Comments: None.}*

**Ward Shanahan, Farmers Insurance Group. EXHIBIT 10.**
*{Tape: 2; Side: 1; Approx. Time Count: 33.0; Comments: None.}*

**Greg VanHorrsen, State Farm Insurance**
*{Tape: 2; Side: 1; Approx. Time Count: 39.8; Comments: None.}*

**Gary Harris, Billings, Collision Repair Shops**
*{Tape: 2; Side: 1; Approx. Time Count: 42.7; Comments: None.}*

**Wally Simmes, Farmers Insurance Group**
*{Tape: 2; Side: 2; Approx. Time Count: 2.3; Comments: None.}*

Questions From Committee Members and Responses:
*{Tape: 2; Side: 2; Approx. Time Count: 2.5; Comments: None.}*

Closing by Sponsor: **Rep. Schmidt** closed.
*{Tape: 2; Side: 2; Approx. Time Count: 28.6; Comments: None.}*

## HEARING ON HB 545

Opening Statement by Sponsor: **Rep. Swanson,** H.D. 30 introduced HB 545. **EXHIBIT 11.**
*{Tape: 2; Side: 2; Approx. Time Count: 31.3; Comments: None.}*

Proponents' Testimony:
**Dick Berne, MT Peoples Action**
*{Tape: 2; Side: 2; Approx. Time Count: 35.4; Comments: None.}*

**Mary Bourchardt, mobile home owner, Frenchtown**
*{Tape: 2; Side: 2; Approx. Time Count: 38.2; Comments: None.}*

Jan. 8 - 1997

To Whom It May Concern:

Regarding Insurance on my 1995 Jeep I ran into a deer - This accident prevented me from driving it in order to get estimates for repair. I called my Insurance agent from Allstate Insurance. Later on I was contacted by an adjuster from Denver who told us to take it to Able Body Shop in Kalispell, Mt. as they had no adjusters in Utah region and were in the process of hiring another. So we took it to Able Body Shop who used "used" parts and they ordered two hood so we objected to the rusted out one the first time - The second was loaded with plastic" and all rusted underneath. We waited over 3 weeks to get it done and upon driving it home the molding fell off the hood less than a mile from Shop - There was an inch or better gap between the hood and

EXHIBIT 7
DATE 2/18/97
HB 241

fenders - I brought it back to get the moulding put on and asked them about the fitting of the hood which they said they couldn't do better.

Later on we called Alexa + complained + complained to our local agent who sent out the new adjuster bringing along the manager of Able Body Shop. Headquarter said he couldn't do "nothing" about it and defended Able Shop for their workmanship.

So we repaired it ourself being as the fan went thru the radiator they also put in the wrong fan - costing us double for fan + radiator.

Believe me we are not insured anymore with Allstate Ins.

The company we are now insured with lets us choose the places we want to work on our vehicles

And that's the way it should be.
Our agent now tells us if we
decide ourselves which place we wish
to take it and then if we are unhappy
with the results - we have no one but
ourselves to blame. Which is very true
and one thing insurance companies
should remember and at least have
two estimates.

Gertrude Chance

Chance
7533 - Hickory Hills Drive
Las Vegas, Nev. 89131

LAS VEGAS NV
PM
18 JAN
1997
89130

LOVE

Ted's Body Shop
125 - 18th St. S.W.
Great Falls, MT 59404

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JANUARY 1997

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# Consumer Reports®

EXHIBIT 8
DATE 2/18/97
B 324

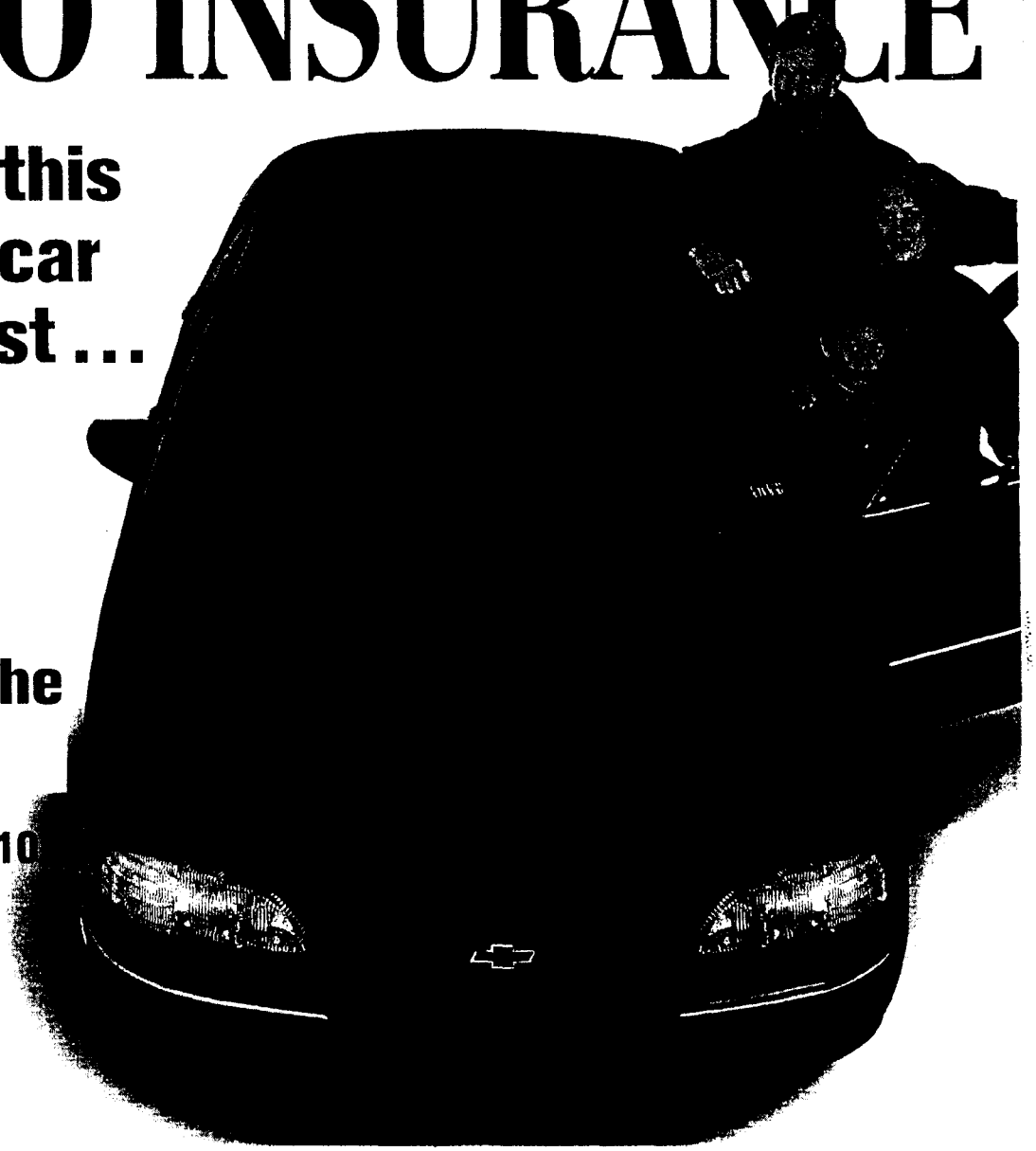
## *How to save money on*

# AUTO INSURANCE

**Insuring this family's car could cost . . .**

**A. $1197**
**B. $3786**
**C. $8690**
**D. All of the above**

**Answer on page 10**



JAN 97 $2.95 US/$3.50 CAN
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costs between the least and most expensive policies within the states we examined is enormous—as much as a fourfold difference in premiums for the same coverage. Rates can vary significantly even among the most competitive companies. In California, for example, a fortysomething married couple living in a San Francisco suburb with a teenage driver and two cars can buy a policy from Mercury Insurance Co. with an annual premium of $1416. An identical policy from GEICO, the company that offers the second-best rate for this family, would cost $2382 a year, almost 70 percent higher.

*City drivers taken for a ride? Philadelphia residents Richard and Theresa Guffanti both have clean driving records, but they currently pay $3000 a year to insure two 1988 model cars because they live in an inner-city area. In a suburban community, they could expect to pay about $1000 less.*

• **Highest-cost policies.** The costliest rates quoted in the states we examined are so steep that no driver in his or her right mind would pay them—and none is expected to. In Camden, N.J., for example, Continental Insurance is unwilling to insure the two cars a couple and their teenage child drive for anything less than $12,000. Obviously, rates like those are set by companies that are no longer interested in serving some markets within the state. Companies often quote those prices merely to satisfy the mandate of state regulators that they must set a rate for all drivers if they want to do business within the state.

• **Policies tailored to specific drivers.** We found few instances where the insurance company offering the most favorable rate to one category of drivers was also tops for another. The company that offers the best rate to your parents may not be at all interested in insuring you. In California, for example, suburban seniors in their sixties can insure a two-year-old Chevrolet station wagon for just $696 a year from Motors-National General. Were their city-dwelling 27-year-old son to take mom and dad's tip to sign up with their carrier, however, Junior would end up paying more than $3400 a year—nearly 2½ times as much as he could expect to pay CNA Casualty for the same coverage.

• **Big insurers and small.** Of course, insurers in each state are subject to the specific rules where they operate. Buying a policy from a big-name company is no guarantee that you'll get a favorable rate. You should take a close look at some of the less widely known companies in your state. In California, Mercury Insurance turned up among the companies offering the lowest rates for several driver profiles we examined. In Washington State, Pemco Insurance, Western National, North Pacific Preferred, and American States Preferred—all relative unknowns elsewhere—were among the price leaders. In New Jersey, regional carriers Ohio Casualty and Maryland Casualty topped the Ratings.

Among the big insurers, companies that rely on their own exclusive sales reps and those known in industry parlance as "direct writers" (so called because they sell policies directly to the public without having to pay indepen-

## Collision repair *Managed care for your car?*

Eager to hold the line on accident-repair costs, more insurers are directing claimants to "preferred" auto body shops. This "managed care" for cars can be convenient, but it could cost you.

Nearly three-quarters of all insurers have adopted some form of this cost-cutting approach, which they call "direct repair programs." Most companies make the program voluntary, and consumers may find it easy to use the body shop the insurer suggests: Simply drop the car off and it's fixed with no haggling over the cost or waiting for a claims adjuster to prepare a report.

Just how the car is fixed is another matter. Interviews with insurers, body-shop owners, car manufacturers, and appraisers led us to conclude that by their very agreement to hold their collision-repair costs to a minimum, body shops put themselves under pressure to cut corners. Some succumb by taping around exterior parts like door handles rather than remove them when they paint. This leaves areas where paint can chip, allowing rust to form. Others use plastic filler rather than replace a damaged body panel. Some even replace deployed air bags with salvaged ones.

One big area where the fender-menders hold down costs is by using generic—or even salvage—parts rather than new parts from your car's original manufacturer. For example, the hood of a Mazda 626 costs a body shop about $450 when bought from Mazda Corp.; a substitute hood may cost less than half as much.

Obviously, the original equipment manufacturers (OEM) object to the use of substitute parts because they want to sell more of their own. Still, they do have some evidence to support their assertions that generic parts don't fit as well, aren't as sturdy, and are more prone to rust.

You can usually have the car fixed at a shop of your choosing; most policies still afford you the right to negotiate with the insurer over how your car is repaired. If you do choose to go with a shop the insurance company suggests, look carefully at the estimate. If you see "LKQ" parts, that means substitute parts that are supposed to be of "like kind and quality," not OEM parts. Finally, when the repair work is complete, it may be worthwhile to have an appraiser check your car for any reduction in its value. Your policy should allow you to collect for any diminution.

EXHIBIT 9
DATE 2/18/97
HB 543

AMENDMENTS TO HOUSE BILL 543
Introduced Copy
Offered by National Association of Independent Insurers

1. Title, lines 5 and 6.
Following: "SHOP" on line 5
Strike: remainder of line 5 through "DATE" on line 6

2. Page 1, line 15 and 16.
Following: "person"
Strike: "or provides an incentive or inducement for an insured person."
Insert: "for failure"

3. Page 1, lines 17 and 18.
Following: "location."
Strike: the remainder of lines 17 and 18.

4. Page 1, line 19.
Following: "(2)"
Insert: "(a)"

5. Page 1, line 20.
Following: "locations"
Strike: ", in addition to the prohibition in subsection (1)(b)"

6. Page 1, line 23.
Strike: (a)
Insert: (i)

7. Page 1, line 24.
Strike: (b)
Insert: (ii)

8. Page 1, line 25.
Strike: (c)
Insert: (iii)

Page 1, line 26.
Insert: "(b) An insurance company may restrict the list to automobile repair businesses or locations that meet

reasonable standards of quality, service and safety. The prohibition in subsection (2)(a) does not preclude the insurance company from informing the insured that the automobile repair business or locations on the list meet the quality, service and safety standards used in compiling the list."

Renumber: subsequent subsections

9. Page 1, line 29.

Insert: "(4) If the insured does not use an automobile repair business or location listed as provided in subsection (2)(a), the insurance company may not be held liable for any damage to the insured's vehicle incurred in the course of repair work performed by that automobile repair business or location."

Renumber: subsequent sections

10. Page 1, line 29.

Following: section (4)

Insert: "(5) It is unlawful for an automobile repair business or location to charge or agree to charge an insured customer more than an uninsured customer for any automobile repair service."

Renumber: subsequent sections

11. Page 2, line 1.

Insert: "(7) No insurance company which contracts with an independent adjuster shall be liable under this section for the independent adjuster's failure to comply with the terms of this section."

Renumber: subsequent sections.

Legislative Memorandum

EXHIBIT 10
DATE 2/18/97
HB 543

Government Relations Group
Gough, Shahanan, Johnson & Waterman
33 South Last Chance Gulch
P.O. Box 1715
Helena, Montana 59624
Tel: 406-442-8560

Mr. Chairman and Members of the House Business & Labor Committee:

I appear here today on behalf of The Farmers Insurance Group of Companies in opposition to HB 543. This bill is aimed at eliminating a good business practice which benefits people who carry our insurance, need repair services, and clearly benefits the people who pay insurance premiums.

Farmers Insurance uses a program, for car repair services, called "The Circle of Dependability" to aid people needing repair services in selecting a shop to have this work performed. This program is based on requirements established by a national organization of repair shop owners known as the "Collision Industry Conference". Shops which achieve the rating of a Class A Collision Center must have all local state and federal licenses and permits, including:

Federal Tax I.D. Number
Evidence of Fire, Electrical Code and EPA Compliance
Workers Compensation Insurance
Evidence of compliance with OSHA regulations.
Possess an EPA number

In addition these shops must have training programs for workers, leading to professional ratings (i.e. I-CAR, ASE offered by paint equipment and vehicle manufacturers) , the ability to produce what is known as P-logic repair estimates (a national reference for costs of materials and repairs), have a metal inert gas welder (MIG) and technicians trained in proper welding techniques and certified in welding through I-CAR, ASAMI or the American Welding Society.

The shop must also be able to fully hoist the vehicle for inspection, have available current structural specifications for vehicles and for wheel alignment covering the make, model and year of the vehicle being repaired. Measuring devices must be available covering three dimensions (symmetrical or asymmetrical or unibody structures) for the vehicle under repair and the shop must provide documentation of the availability and use of this equipment. All shop operators must have evidence of current training for the type of measuring devices used.

Frame straightening equipment using a four point anchoring system must be available and used in a suitable manner for the type of vehicle being repaired. This includes electrical and hydraulic equipment for multiple simultaneous body pulls and employees who know how to use this equipment.

Paint equipment, installation and training must be available to provide a manufacturer type finish. Paint clean up must meet environmentally sound standards. The employees must know how to determine if airbags and safety restraints are working properly and perform necessary repairs, to reclaim, evacuate and recharge vehicle air conditioning systems .

Finally the approved shop must offer a written warranty against defects in workmanship for at least three years.

Section 1 (1) (a) The Farmers customer service clerks do not require that the claimant or customer must use a particular shop. The option to use an approved shop is offered if the customer doesn't have a particular shop in mind. Farmers customer service people don't try to discourage a car owner from using a particular shop nor disparage the work of any repair shop. The owners are told that they have the right to use any repair shop they desire. (copies of written advice is attached to this statement).

Section 1 (1) (b) Farmers does offer a lifetime guarantee to its insured who use its "Circle of Dependability" shops.

Section 1(3) of the bill is objectionable because it interferes with the insurers right to properly adjust the claim, by taking depreciation and/or use other than original equipment which is allowed by our policies and by the Montana Insurance Department.

HB 543 will hamper Farmers ability to keep the cost of insurance down. It will prevent the use of a program to improve repair quality for the consuming public, comply with safety and environmental standards and will harm our insureds by making reliable service and repair more difficult and result in higher premium costs.

PLEASE GIVE HB 543 A " DO NOT PASS"

Respectfully submitted,

Ward A. Shanahan
for Farmers Insurance Group

THE

# FARMERS INSURANCE GROUP OF COMPANIES

MISSOULA BRANCH CLAIMS OFFICE
2415 Catlin
P.O. Box 3417
Missoula, MT 59806
(406) 728-4220

February 17, 1997

The first thing that I ask people when I call them is "Where do you want your car repaired?" If the answer is such and such a shop the COD Program isn't even brought and I process the claim accordingly with what needs to be done for the shop that they wish to use. If The person responds with "I don't know." or "Do you have and suggestions?" I then introduce the program to them. I explain that we have some shops on a program with us that you don't have to give us an estimate or have us look at your car and the shop guarantees the work as long as you have your car. I tell the shops in their area. I also tell them that if they wish to use another shop other than the ones I have listed that we will need to see the damage before it can be repaired. I will refer the claim as soon as I can to a field adjuster. They are also told they have the choice to use any shop that they wish and if they need time to think about it or the look at the shops that that is fine and I will wait to hear from them.

Sheila Hoffman.

Sheila Hoffman
Customer Service Clerk

FARMERS

EXHIBIT 1

THE

# FARMERS INSURANCE GROUP OF COMPANIES

MISSOULA BRANCH CLAIMS OFFICE
2415 Catlin
P.O. Box 3417
Missoula, MT 59806
(406) 728-4220

February 17, 1997

1 –

INSURED: 2 –
CLAIMANT: 3 –
CLAIM NUMBER: 4 –
LOSS DATE: 5 –

Dear6 – :

We have received notice of the above captioned loss involving your vehicle.

You have the right to have any repair facility of your choice complete the repairs of your vehicle. The company may make any reasonable and necessary adjustments to the estimate prepared by the shop of your choice to assure proper repairs.

Attached, please find a brochure and a list of body shops in your area which are approved by the Farmers Insurance Circle of Dependability program. The processing of your claim will be processed smoothly and quickly by selecting a shop from this list. The Circle of Dependability shop can write the estimate, order parts, and begin the work without a initial inspection by a Farmers Claims Representative. Additional advantages in using a Circle of Dependability shop include:

- A lifetime guarantee on workmanship for repairs related to this loss.
- To our insureds, Farmers Insurance will also provide a written warranty on repairs.
- All Circle of Dependability shops have met strict requirements regarding equipment, training an repair quality.

At your earliest convenience, please contact Sheila Hoffman at the Missoula Branch Claims Office 728-4220 to discuss the disposition of your claim.

FARMERS
EXHIBIT 2

Sheila Hoffman
Customer Service Clerk

THE

# FARMERS INSURANCE GROUP OF COMPANIES

MISSOULA BRANCH CLAIMS OFFICE
2415 Catlin
P.O. Box 3417
Missoula, MT 59806
(406) 728-4220

Dear Insured:

We have received notice from a body shop that you had gone for an estimate and would like to have your car repaired. If you would like for us to handle this claim, please contact this office at 728-4220. If you have already notified your agent of this loss, please ask them to call us at this office. At this time, we are not showing a record of this loss. Thank you.

Sincerely,

FARMERS INSURANCE GROUP OF COMPAINIES

Sheila Hoffman
Claims Service Clerk

SH

FARMERS
EXHIBIT 2A

THE

# FARMERS INSURANCE GROUP OF COMPANIES

MISSOULA BRANCH CLAIMS OFFICE
2415 Catlin
P.O. Box 3417
Missoula, MT 59806
(406) 728-4220

February 17, 1997

1~

INSURED: 2~
CLAIMANT: 3~
CLAIM #: 4~
LOSS DATE: 5~

Dear6~,

We have received notice of your loss. We have been unable to contact you by phone. Attached is a loss report the way the accident was reported to us. If we do not hear from you immediately we will assume the facts of the accident are correct and will proceed to process the claim made against your policy. If you have any questions please contact Sheila Hoffman at the Missoula Branch Claims Office at (406) 728-4220.

Sincerely,

Sheila Hoffman
Customer Service Clerk

FARMERS
EXHIBIT 20

The CIRCLE OF DEPENDABILITY facilities must meet many Environmental Protection Agency requirements during the repair and paint process. All CIRCLE OF DEPENDABILITY facilities have been screened for compliance with local, state and federal laws and regulations.

Automotive technology has changed dramatically over the past few years, and repair technology must keep pace. A great deal of care and investigation goes into the selection of the CIRCLE OF DEPENDABILITY facilities. This means that your claim is processed quickly and your car is repaired by experts.

For nearly 70 years, Farmers has been devoted to giving our policyholders the fast, fair and friendly service for which we are famous.

Our goal is not only to give you superior service, but also to give you the peace of mind that comes from knowing you are being properly and economically protected.

It's a pleasure to serve you.

**Farmers Insurance Group of Companies®**

Los Angeles, CA 90051-2478

America Can Depend on Farmers®

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*Circle* ABILITY

**Excellent Customer Service**
**Quality Repairs**
**Lifetime Warranty**

Farmers Insurance Group of Companies®

FARMERS EXHIBIT 3

# FARMERS INSURANCE GROUP OF COMPANIES

*CLAIMS DEPARTMENT*

*INTER-OFFICE CORRESPONDENCE*

*Pocatello Regional Office*
*2500 South 5th*
*Pocatello, Idaho 83201*

| Post-it® Fax Note 7671 | Date 2/17/97 | # of pages ▶ 2 |
|---|---|---|
| To Terry Hunt | From P. Sebring | |
| Co./Dept. Missoula BCO16 | Co. Pocatello | |
| Phone # | Phone # | |
| Fax # | Fax # | |

**DATE:** July 10, 1995

**TO:** Mike Malito, GCA
Regional Claims Manager

**FROM:** Pocatello Regional Claims

**SUBJECT:** **MONTANA CIRCLE OF DEPENDABILITY QUESTIONNAIRE - 1994**

**Recap of Results**

Mailed out 2,305 questionnaires.
Received back 522, or 22.6%.

Question #1. How were you made aware of the Circle of Dependability Program?

| | | |
|---|---|---|
| Agent | 263 | 50.4% |
| Claims Personnel | 73 | 14.0% |
| Other | 76 | 14.6% |
| No Answer | 110 | 21.0% |

Question #2. Was the Circle of Dependability Program adequately explained to you?

| | | |
|---|---|---|
| Yes | 316 | 60.5% |
| No | 142 | 27.2% |
| No Answer | 54 | 12.3% |

Question #3. Were you advised that you had a choice of repair facilities?

| | | |
|---|---|---|
| Yes | 425 | 81.4% |
| No | 57 | 10.9% |
| No Answer | 40 | 7.7% |

Question #4. Were you contacted within a reasonable time after reporting your claim?

| | | |
|---|---|---|
| Yes | 452 | 86.6% |
| No | 24 | 4.6% |
| No Answer | 46 | 8.8% |

FARMERS
EXHIBIT 4

Question #5. Were you treated with courtesy and consideration?

| | By Shop | | By Claims Personnel | | |
|---|---|---|---|---|---|
| Yes | 471 | 90.2% | Yes | 421 | 80.7% |
| No | 13 | 2.5% | No | 21 | 4.0% |
| No Answer | 38 | 7.3% | No Answer | 80 | 15.3% |

Question #6. Was an adequate explanation of the handling of your claim provided so that you knew what to expect?

| | | |
|---|---|---|
| Yes | 431 | 82.6% |
| No | 36 | 6.9% |
| No Answer | 55 | 10.5% |

Question #7. Was your vehicle repaired in a timely manner?

| | | |
|---|---|---|
| Yes | 453 | 86.8% |
| No | 26 | 5.0% |
| No Answer | 43 | 8.2% |

Question #8. Were the repairs properly completed to your satisfaction?

| | | |
|---|---|---|
| Yes | 442 | 84.7% |
| No | 33 | 6.3% |
| No Answer | 47 | 9.0% |

Quintin Harral
APD Claims Manager

QH:ca

# Collision Industry Conference
# Minimum Recommended Requirements for a "Class A" Collision Center
## (Revised November 6, 1996)

1. Established business location in compliance with local zoning laws and acceptable retail standards.

2. Have all local, state and federal licenses and permits. Operate in accordance with regulations. Examples:
   a. Sales Tax I.D. Number
   b. Federal Tax I.D. Number
   c. Fire, Electrical Code and EPA Compliance
   d. Workers' Compensation Insurance
   e. OSHA Requirements
   f. EPA Number

3. Proof of garage liability insurance and garage keeper's legal liability insurance or equivalent.

4. The ability to produce computerized, procedure-page/P-page logic estimates.

5. Shop management will show evidence (transcript or certificate) of training in current management subjects, followed by ongoing attendance of at least one course per year in related management subjects.

6. Belongs to and participates in an auto collision trade association and subscribes to a code of ethics such as those put forth by many trade associations.

7. Evidence of recent and ongoing employee technical training and certification programs (i.e., I-CAR, ASE, training offered by paint, equipment or vehicle manufacturers, etc.)

8. Have a metal inert gas (MIG) welder, and technicians trained in proper welding technique and certified in welding through I-CAR, ASAMI or the American Welding Society.

9. Have the ability to fully hoist a vehicle for inspection.

10. Maintain a source of current structural specifications covering the vehicle structure and wheel alignment specifications for the make, model, and year of the vehicle being repaired.

11. A measuring device capable of measuring in three dimensions (symmetrical or asymmetrical unibody structures) for the type of vehicle repaired, and provide written structural documentation by computer printout or a written explanation. All operators must have evidence of current training for the type of measuring device being used.

12. Four-point anchoring system capable of holding a vehicle in a stationary position during

FARMERS
EXHIBIT 5

structural and body pulls which is suitable for the specific type of vehicle being repaired.

13. Electrical or hydraulic equipment capable of making simultaneous multiple body or structural pulls for repairs as well as evidence of recent technical training or competence on the type of equipment being used.

14. A pressurized spray booth meeting current federal and local requirements.

15. Ability to complete and verify four-wheel alignment through computer printout either from an in-house alignment system or a qualified sublet alignment provider.

16. Offer a written warranty against defects in workmanship for at least three years.

17. Ability to remove and reinstall suspension, engine and drivetrain.

18. A paint mixing and application system capable of producing an original equipment manufacturer-type finish.

19. Demonstrates a concern for the environment by use of high transfer efficiency spray equipment, gun cleaners, and other emission reducing equipment.

20. Must have employees who are qualified to diagnose airbags and safety restraints, and capable of completing OE-specified repairs using in-house equipment with certified technicians, or utilize a qualified sublet provider with certified technicians.

21. Ability to reclaim, evacuate and recharge vehicle air conditioning systems using in-house equipment and certified technicians or a qualified sublet provider.

22. Documented ongoing measurement and reporting of customer satisfaction.

--end--

| Post-it® Fax Note 7671 | Date 2/17 | # of pages ▶ 2 |
|---|---|---|
| To Dick Herda | From Quick Heal | |
| Co./Dept. Missoula BCO. | Co. POC. R.O. | |
| Phone # | Phone # | |
| Fax # | Fax # | |

# MINUTES

## MONTANA HOUSE OF REPRESENTATIVES
## 55th LEGISLATURE - REGULAR SESSION

## COMMITTEE ON BUSINESS & LABOR

**Call to Order:** By CHAIRMAN BRUCE SIMON, on February 19, 1997, at 8:00 AM, in Room 104

## ROLL CALL

**Members Present:**

Rep. Bruce T. Simon, Chairman (R)
Rep. Paul Sliter, Vice Chairman (Majority) (R)
Rep. Robert J. "Bob" Pavlovich, Vice Chairman (Minority) (D)
Rep. Joe Barnett (R)
Rep. Rod Bitney (R)
Rep. Sylvia Bookout-Reinicke (R)
Rep. Charles R. Devaney (R)
Rep. David Ewer (D)
Rep. Kim Gillan (D)
Rep. Billie Krenzler (D)
Rep. Bob Lawson (R)
Rep. Rod Marshall (R)
Rep. Gay Ann Masolo (R)
Rep. Wes Prouse (R)
Rep. Carolyn M. Squires (D)
Rep. Jay Stovall (R)
Rep. Cliff Trexler (R)
Rep. Joe Tropila (D)
Rep. Carley Tuss (D)

**Members Excused:** None

**Members Absent:** None

**Staff Present:** Stephen Maly, Legislative Services Division
Pati O'Reilly, Committee Secretary

**Committee Business Summary:**

Hearing(s) & Date(s) Posted: None

Executive Action: HB 78; HB 442; HB 519; HB 513; HB 517; HB 539; HB 541; HB 543; HB 545; HB 252; HB 500;

**Motion/Vote**: **Rep. Pavlovich** moved to Table HB 539. Motion carried reverse roll call vote 12-7.
*{Tape: 1; Side: 2; Approx. Time Count: 7.0; Comments: None.}*

## EXECUTIVE ACTION ON HB 541

**Motion**: **Rep. Ewer** moved do pass HB 541.
*{Tape: 1; Side: 2; Approx. Time Count: 8.3; Comments: None.}*

**Motion:** **Rep. Ewer** moved to adopt Ewer amendments.
*{Tape: 1; Side: 2; Approx. Time Count: 8.9; Comments: None.}*

**Discussion:**
*{Tape: 1; Side: 2; Approx. Time Count: 9.0; Comments: None.}*

**Vote**: Motion to adopt amendments passed roll call 11-8.
*{Tape: 1; Side: 2; Approx. Time Count: 20.; Comments: None.}*

**Motion/Vote**: **Rep. Ewer** moved do pass HB 541 as amended. Motion failed 8-12.
*{Tape: 1; Side: 2; Approx. Time Count: 21.6; Comments: None.}*

**Motion/Vote:** **Rep. Pavlovich** moved to table HB 541. Motion passed reverse vote 12-8.
*{Tape: 1; Side: 2; Approx. Time Count: 28.1; Comments: None.}*

## EXECUTIVE ACTION ON HB 543

**Motion**: **Rep. Stovall** moved do pass HB 543.
*{Tape: 1; Side: 2; Approx. Time Count: 28.8; Comments: None.}*

**Motion/Vote**: **Rep. Stovall** moved to adopt Stovall amendments.
*{Tape: 1; Side: 2; Approx. Time Count: 29.1; Comments: None.}*

**Discussion:**
*{Tape: 2; Side: 1; Approx. Time Count: .0; Comments: None.}*

**Vote**: Motion to adopt amendments carried unanimously.
*{Tape: 2; Side: 1; Approx. Time Count: 1.0; Comments: None.}*

**Motion/Vote:** **Rep. Stovall** moved do pass HB 543 as amended. Motion carried 16-1. **Reps. Tuss & Krenzler** absent and **Rep. Simon** voted no.
*{Tape: 2; Side: 1; Approx. Time Count: 4.5; Comments: None.}*

# MINUTES

## MONTANA SENATE
## 55th LEGISLATURE - REGULAR SESSION

## COMMITTEE ON BUSINESS & INDUSTRY

**Call to Order:** By **CHAIRMAN JOHN HERTEL**, on March 20, 1997, at 9:00 A.M., in ROOM 410.

### ROLL CALL

**Members Present:**
Sen. John R. Hertel, Chairman (R)
Sen. Steve Benedict, Vice Chairman (R)
Sen. Debbie Bowman Shea (D)
Sen. William S. Crismore (R)
Sen. C.A. Casey Emerson (R)
Sen. Bea McCarthy (D)

**Members Excused:** None

**Members Absent:** None

**Staff Present:** Bart Campbell, Legislative Services Division
Mary Gay Wells, Committee Secretary

**Please Note:** These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Committee Business Summary:**
Hearing(s) & Date(s) Posted: HB 541; HB 543; 3/5/97
Executive Action: None

*{Tape: 1; Side: A; Approx. Time Count: 9:18 AM; Comments: N/A.}*

### HEARING ON HB 541

**Sponsor:** REP. DUANE GRIMES, HD 39, CLANCY

**Proponents:**
Dennis Casey, Gaming Industry Association
Janet Jessup, Department of Justice
Ellen Engstedt, Don't Gamble With The Future
Kati Kintli, Attorney, MT Tavern Assoc.
Janace Palmer, The Bitteroots
Verna Molinda, Darby
Julie Ippolito, Citizens Against Gambling Expansion
Arlette Randash, Eagle Forum

**Opponents:** None

Opponents' Testimony: None

Questions From Committee Members and Responses:

**SEN. CASEY EMERSON** asked what happens when a person comes in and cashes a check for money and then it bounces. How is that handled? **Ms. Jessup** replied that is what we call non-sufficient funds check and that is not impacted by this bill. If the person accepting the check is not aware that the check is going to bounce there is not problem. If they are aware that the check is going to bounce, then under this bill it could be considered credit gambling. **SEN. EMERSON** said that then maybe the second or third one that came in would trigger this action in this bill. **Ms. Jessup** said that it is possible. We had to look at the specific facts in that particular case. Obviously, if it happens in a very short period of time, the person receiving the check should have gotten the idea that there are insufficient funds. **SEN. EMERSON** said that the people working who take these checks, they are the ones who will be charged rather than the owner if the owner doesn't know about it. **Ms. Jessup** said that if there is no evidence that the boss or manager is unaware of this and did not condone such practices, then they could not prove intent in a criminal case.

Closing by Sponsor:

**REP. GRIMES** closed. The bill has been substantially reworked in the areas that **SEN. EMERSON** mentioned. Everything has been gone through with a fine tooth comb in order to get it out. I would encourage a favorable consideration. I want to thank the proponents who got up very early in the morning to drive to Helena to testify. They were a terrific help in explaining the problems. Thank you.

*{Tape: 1; Side: A; Approx. Time Count: 10:01 AM; Comments: N/A.}*

## HEARING ON HB 543

Sponsor: REP. TRUDI SCHMIDT, HD 42, GREAT FALLS

Proponents: REP. MATT BRAINARD, HD 62, MISSOULA
Frank Crowley, Helena Attorney
Jerry Langford, 3-Way Auto Body, Great Falls
Charles Brooks, MT Collision Repair Specialists
Jack Greg, MCRS
Dick Anderson, Superior Auto Body, Great Falls
Diana Anderson, Superior Auto Body, Great Falls
Lloyd Taylor, Procraft Carstar, Great Falls
Tom Daubert, Great Falls Collision Assoc.
Gary Harris, Auto Body Specialist
Ted Mumm, Ted's Body Shop, Great Falls
Todd Litton, American Auto Body, Billings
Jay Nelson, Dillon Collision Center

Mike Connell, Connell Auto Center, Bozeman
Jacki Ayers, Golden Nugget Body & Paint
Donna Fasteneau, Hank's Body Shop
Loretta Miller, Montana Auto Dismantlers & Recyclers, Helena

Opponents: Ron Ashabraner, State Farm Insurance
Ward Shanahan, Farmers Insurance Group
Roger McGlenn, Independent Insurance Assoc. of MT

Opening Statement by Sponsor:

**REP. TRUDI SCHMIDT, HD 42, GREAT FALLS.** Last December I received a request for help from a recently formed group of independent body shops in Great Falls and as a result I bring HB 453. A bill designed to correct what has recently become a very anti-competitive and unfair situation for most auto insurance companies openly direct their claimants to a few preferred shops in a city or town leaving all the other competent body shops very little business. This bill both restores consumer choice and levels the playing field of this business. These shops that get all the referrals from the insurance companies are called direct repair shops or control shops, contract shops, tow shops or Farmers Insurance calls them COD, Circle of Dependability, shops. What happens is when you have a collision and submit a claim, the insurance company hands you a short list and directs you to one or two specific control shops. In essence, the quid pro quo between the control shop and the insurance company, the shop agrees to do everything the way the insurance company demands. In return, the company refers all its repair work to the shop. The shop takes on all the responsibility from the company, estimates, appraisals, customer relations, complaints, filling out forms and dispenses with the need for the company to have expensive administrative personnel. In short, the insurance companies save so much money in transaction costs by having the control shop do everything. But the control shop does not have a great deal of controls on its activities. For the company, it is a convenience and a pocketbook issue. For the control shop, it is a gravy train. This lopsided system where a few shops get most of the business is not only choking out the independent shops but it also impacts consumers. The cover story on this January Consumers Report is reporting on the auto insurance business. The article suggests that the use of direct repair shops can sometimes harm consumers. Why, because it puts such great pressure on the control shops to cut corners or use after-market or used parts. I will be passing out the article from this magazine at the end of the proponents' testimony. We also understand in the larger towns of Montana, consumers are also experiencing long delays at many of these control shops because they can hardly keep up with the volume of business the insurance companies send to them. More than 20 states have laws prohibiting or regulating the practice of directing customers to particular shops. This is a bipartisan bill and the many co-signers demonstrate lots of support from both sides of the aisle.

Several amendments were requested by the insurance companies and many were inserted into this bill in the House. You may hear today that some body shops think the bill is too weak whereas the insurance companies may think the bill is too strict. However, the bill, even as amended, is a fair starting point for restoring fairness and competition in this area that affects so many Montana consumers every year. Thank you for your time.

Proponents' Testimony:

**REP. MATT BRAINARD, HD 62, MISSOULA.** I am a proponent and co-sponsor of HB 543. It is a bipartisan bill. An acquaintance of mine who owns a body shop in western Montana had an accident in his car and his shop didn't do those kinds of repairs. He filed an insurance claim and received a letter from his insurance company telling him there were only three shops that were suitable. He knows most of the shops in western Montana and there are any number of them capable of doing those repairs. The letter implied that if he dealt with one of these three shops, everything would be smooth sailing. However, if he should go to someone else, things might not be as smooth. He has been feeling the effects of the steering that has been going on in his area and to get this letter was an outrage to him. So he came to me to see if something could be done. **REP. SCHMIDT** had this bill so rather than waste a bill draft, I decided I would help her with this bill. It is a good bill. It will help stop the ratcheting of insurance premiums that are going on. If you lower the number of shops that do body work, you build up a large customer base. You prolong the wait for repairs and at some point when you reduce the competition these folks are going to feel free because of the demand placed on their shops to start raising their prices. Of course, the insurance companies will pass that on to the consumer by raising their prices. So it is a self-feeding, ratcheting effect. I encourage you to concur with this bill.

**Frank Crowley, Helena Attorney.** In January our firm was asked to assist in the drafting and supporting of this bill to remove the insurance companies' control over the collision repair industry in Montana. The premise of this bill is simple. It is an unfair trade practice of insurance companies to require, coerce or influence a customer to a particular body shop. After the bill was introduced I was approached by the insurance companies and after checking with our clients we sat down and had discussions. The amendments that you see on the bill reflect those discussions.

The starting premise is that a company may not direct or influence a person to a particular shop. There are three exceptions to that. The first says that the company may provide the customer with a list of all established shops in a repair business close to the insured person or customer that offers a warranty. The second was actually a request of State Farm Insurance Company which does not have a direct referral program. They said that there are times when a customer will initiate a

request to us and ask us for a recommended body shop. This provision was put in and says that an insurance company may provide a list of body shops when the list is requested by a customer. The third one is that an incentive does not include a warranty issued by an automobile repair business because warranties do come up. These were inserted at the request of the insurance companies. I believe they still maintain the bill intact.

*{Tape: 1; Side: B; Approx. Time Count: 10:13 AM; Comments: N/A.}*

There are some language changes in the bill. They are not substantive. In summary, the last three sections 4, 5 and 6 were also requested by one or more of the insurance companies. Concerning number 5, it says it is unlawful for an automobile repair business to charge or to agree to charge the insured customer more than an uninsured customer. There have been times when a different price has been charged depending on whether it was covered by insurance or not. In section 7 according to **Frank Cote, Deputy Insurance Commissioner,** the word "exclusively" must be inserted so that the bill would not refer to auto glass shops because they are regulated under another statute.

The amendments that were put on in the House were accepted by all parties and if there were to be other amendments put on in the Senate we would recommend that all parties be in agreement on them also. At this point, we have not been able to come to any additional agreement and we would stand on the bill that you have before you. We request that no weakening amendments be put on this bill.

I would like to distribute a letter **(EXHIBIT 3)** which **REP. BRAINARD** mentioned. This was the letter that **REP. BRAINARD** received and the first paragraph pays lip service to the consumer's choice. But the highlighted language clearly pushes the consumer toward the control shop by suggesting that if the customer doesn't use one of the shops on the list, it is likely that his claim is not going to be processed smoothly or quickly. This letter shows the indirect but highly effective way the customer is directed to the control shop and away from anyone not on the list. The vast majority just want their car fixed so they go along to where they are directed. The objective of this bill is to end the practice of facilitating consumers to the select shops and actually allowing the consumer to be free in choosing who will fix the consumer's own car. Thank you very much.

**Jerry Langford, 3-Way Auto Body, Great Falls.** I would like to make a very strong statement. Consumer fraud is what we have here. The insurance companies tell the claimant to take his car to one of the shops and get it repaired with quality work. Then they tell the repair shops to use after-market parts and where to buy them. This greatly reduces the value of each individual's car. They have no reimbursement for the devaluation of their car. This whole process is just not fair.

**Charles Brooks, MT Collision Repair Specialists.** There has been some division in the auto body repair business over this piece of legislation, but our group made the decision just this morning that they would come as proponents of this bill providing that some amendments that we will be offering would be accepted. If the amendments are not acceptable, we would be opposed to the bill as it stands. There are some things that need to be tightened up. Please look at the amendments and I hope that you can support the bill with the amendments. Thank you.

**Jack Gregg, Chairman, MT Collision Repair Specialists.** I would like to give my testimony and hand in a written copy **(EXHIBIT 4)**. I will hand in the proposed amendments **(EXHIBIT 5)** and explain them. Thank you.

**Dick Anderson, Superior Auto Body, Great Falls.** I have worked for 35 years in the auto business and 5 years at a shop that is now a pro-shop in Great Falls. I provide the same level of service to my customers by providing the best and safest quality work at my business now as I did when I worked at the shop. I do so in order that I remain in business. I support this bill because without it my business as well as numerous small businesses in the state will go out of business--not because of the quality of work that we are doing but because it improves the profit margin for insurance companies. With the insurance companies having the control, the body repair industry is now catering to please the insurance companies rather than the consumer who is the rightful customer of the body repair industry. I have spent my entire life in this industry and have worked hard to build a good reputation. All I am asking is a level playing field. This bill allows me that opportunity. Thank you.

**Diana Anderson, Superior Auto Body, Great Falls.** She reads a letter from a satisfied customer of theirs that had an accident. The customer used Superior Auto Body, but experienced several problems with the insurance company who directed her to other shops and made the repair shop use after-market parts. The customer was very dissatisfied with the insurance company's tactics.

**Lloyd Taylor, Procraft Carstar, Great Falls.** I am a member of MCRS, and not a member of the Great Falls association. I am a proponent of the bill as stipulated by our president. I would like to bring out one important thing. Sometimes we can want to do something for some very legitimate reasons and have some opposite effects of what we want. I agree that no one should be required to go anywhere. It is not fair to have an insurance company refer a customer to some other shop because they are cheaper or because they have another agenda; but there are many times there are reasons to refer a customer. People can offer suggestions and then a person should be able to make an educated decision. Thank you for your attention.

**Tom Daubert, Great Falls Collision Assoc.** Like **Mr. Crowley,** I am here on behalf of the Assoc. As you can see, some folks would like the bill to be stronger than it is and some would like it to be weaker. This bill is a reasonable starting point. The directing of claimants is happening in every part of the state and I will submit a letter **(EXHIBIT 6)** from Fortine, MT., one of our very smaller towns. He is saying that the insurance companies are telling his people to go all the way down to Kalispell, 60 miles away. This is not in the best interest of the consumer. Next I would like to hand out petitions **(EXHIBIT 7)** that were signed by people in Fortine, Kalispell, Billings, Great Falls, and all over the state with over 1200 signatures saying, "We urge this legislature to protect consumers and ensure fair and open competition between auto body shops by passing HB 543." One other thing that we would like to distribute is the article **(EXHIBIT 8)** from the Consumer Reports, January 1997. There are many of the people who own or work in the auto body repair business here today. I would like them to stand and show their support. They don't feel comfortable in making a statement. (The people then stood. Most of them did stand up.)

**Gary Harris, Auto Body Specialist.** I am in support of this bill and am a member of MCRS. I would like to see some changes. I wish we had some more time. I will hand in my prepared testimony **(EXHIBIT 9)** and a copy of an article detailing this problem in our industry **(EXHIBIT 9A).** Thank you.

**Ted Mumm, Ted's Body Shop, Great Falls.** I have been in business for 32 years. I have some letters **(EXHIBITS 10 & 10A)** from around the state that I hope you can look at.

**Todd Litton, American Auto Body, Billings.** I am a proponent of the bill. As a member of MCRS, if we can get the changes we introduced, I hope this bill can pass. All we want to do is to make sure that the cars are fixed properly and safely.

**Jay Nelson, Dillon Collision Center.** I would like to give my testimony and hand in a written copy **(EXHIBIT 11).**

**Mike Connell, Connell Auto Center, Bozeman.** I am a member of MCRS. My main concern is that this bill was intended to eliminate direct repair facilities. Without them we have no choice. It is an individual choice that each business makes whether it works for them or not. I am in favor of the bill as long as the amendments that the Assoc. made are considered and passed. Thank you.

**Jacki Ayers, Golden Nugget Body and Paint, Billings.** I am a member of MCRS. I believe that consumers have the right to choose. The direct repair in any form is not right and should be prohibited. We all have experienced the consumer that is intimidated, or has fear of repercussion from the insurance company and then the consumer fails to do what they really want

to do. I would ask you to consider the amendments and hope you will pass the bill with amendments.

**Donna Fasteneau, Hank's Body Shop, Billings.** I am a proponent of the bill. We see that if consumers are directed to take their cars to a shop on the preferred list, they have a fear that they might be cancelled or their rates will go up if they choose someone else. We have been in business 35 years. We have complied with all the criteria on these lists but yet they have frozen their list and we cannot get on. Even if the changes do not go through, I still support the bill.

**Loretta Miller, Auto Dismantling Shop, Helena.** We support HB 543. My only comments are that the insurance companies already run our lives. They don't need to tell us where we can take our car to get it fixed. We do have brains and we can use them. Thank you.

*{Tape: 1; Side: B; Approx. Time Count: 10:42 AM; Comments: N/A.}*

Opponents' Testimony:

**Ron Ashabraner, State Farm.** When we first saw the bill, we didn't think we had a problem. State Farm does not direct traffic. We do not have preferred shops or lists and we simply allow the customer to choose the body shop of their choice. As we started looking at other language, we became concerned. Would we be able, as a company, to give the customer, if he chooses the shop, a warranty on the work if the shop did a quality job? We saw language such as intimidates, threatens or coerce. We read into this the fact that if we give a warranty to a customer, is this a threat? We worked with Mr. Crowley's group and we made tremendous headway. We have three minor amendments **(EXHIBIT 12).** We find out that there is another body repair shop group and they oppose the first body repair shop group. So I am not sure we have been negotiating with the right group. Can we resolve this issue prior to another session of legislature or have a bill that everyone can agree with? We did it with the glass bill. And it has been successful. I would like to explain our amendments. (He then explains the amendments.) I question that at this point much can be done to improve the bill. I would suggest that this bill be tabled.

**Ward Shanahan, Farmers Insurance Group.** I would like to go through at this time to what has been said in opposition to this bill since we believe the Farmers Insurance Group's Circle of Dependability Program is aimed at providing needed repair service and benefit to the people we insure. We believe this bill is aimed at a good business practice. I will make my statement and hand in the written testimony **(EXHIBIT 13).** There are further exhibits that I would like you to see of how a claim is handled by Farmers Insurance **(EXHIBIT 14).** I am a member of AARP and I have a piece of paper on Saturday from them saying they offer the

same service and were trying to convince me to buy insurance from AARP **(EXHIBIT 15)** because of this particular service. Thank you.

**Roger McGlenn, Independent Insurance Association of Montana.** As the committee members know, I do not represent insurance companies, I represent independent insurance agents on main street, Montana. We are sympathetic to the concerns that are being addressed by this group. Many of our concerns were addressed with the amendments that were placed by the House and as it arrived before the committee this morning. We did not intend to stand on this bill until we saw some of the proposed amendments before you. We have some strong concerns with those amendments. We worry about the change in definitions on prevailing market price and our initial look at it gives us concern that in small communities with only two or three shops, collusion could occur which could be used in part and parcel to establish prevailing market price in that area. We worked hard with the auto glass bill and we would like to be part of the solution on this current problem. We oppose the amendments that are being presented today. If these are not adopted, we would not take a stand of opposition.

<u>Questions From Committee Members and Responses</u>:

**SEN. STEVE BENEDICT** asked what requirements were made for a shop to be on the "preferred list". **Mr. Shanahan** replied that they needed special equipment and the repair shops buy their own equipment. **Terry Hunt, Branch Manager for Farmers Insurance Group,** reaffirmed that the shops buy their own equipment. **SEN. BENEDICT** asked if there was an incentive or bonus given to a shop to purchase that hardware and software? **Mr. Hunt** said there were no incentives or kick-backs.

**SEN. DEBBIE SHEA** asked **Mr. Crowley** that since this is the "eleventh hour" why don't they wait till the next legislative session? What kind of problems might there be if we wait? **Mr. Crowley** answered that the biggest problem would be that some of the shops which are competent but not on the "preferred list" would probably go under if this bill is put on hold for two years. This is the principle concern. Another concern is that you have heard about after-market parts and this is an issue that should be address as it is not the right way to repair vehicles unless the consumer is aware and gives an okay. Also, to get a bill in perfectly is almost an impossibility. One needs to start somewhere.

*{Tape: 2; Side: A; Approx. Time Count: 11:00 AM; Comments: ONE SENTENCE WAS LOST OF MR. CROWLEY'S ANSWER.}*

If there needs to be additional refinement, it could be done the next session.

**SEN. SHEA** stated that the Consumers Report article said that managed care for your car and how the car is fixed is another

matter and speaks to much of what we have heard here today. If what the proponents claim to be happening and it isn't happening as you, **Mr. Shanahan,** suggested, why would this conclusion from Consumers Report be before us today? **Mr. Shanahan** said the author of the article is not listed, nor is there any substantiating data listed that would tell what this is all about. It certainly doesn't pinpoint my client. It just points out that there are some shoddy practices in the industry. That is about the most you can conclude from that.

**SEN. BEA MCCARTHY** said that **Mr. Anderson from Great Falls Collision** had talked about after-market parts. Would you elaborate and tell us what these parts are? **Mr. Anderson** explained that after-market parts are not made here in the U.S. They are not the original equipment that comes on a vehicle. They don't have the rust corrosion prevention on them, they don't have the strength and not near enough tin in the fenders. And those parts don't fit easily onto the vehicle. **SEN. MCCARTHY** then asked if the customer is told if after-market parts are used? **Mr. Anderson** said that he tells his customers. The estimates he gives always uses "oem", original equipment manufacturers', parts and prices. When the insurance company gives an estimate, he has received their estimate back with after-market parts and prices and telephone numbers where he can call and get them. State Farm is finding out that it is better to use "oem" parts.

**SEN. BENEDICT** rephrased his question and asked **Ms. Jacki Ayers. Ms. Ayers** answered that when their repairers, who have been trained by ICAR, AFA, etc., make a bid, in 90% of the cases either an independent adjuster or an adjuster for a particular insurance company will review the estimate and they do negotiate with us. We have bid "oem" parts on a car because that is what our customer has requested and the insurance company will come back and say put after-market parts on the car and demand that they be put on. The only person who can fight for that is the customer. Many do and many do not. When it comes to structural parts of a vehicle, "oem" parts should definitely be used.

**SEN. BENEDICT** asked **Mr. Anderson** the same question again. **Mr. Anderson** replied that yes he has negotiated with the insurance companies. If he has given an estimate using "oem" parts' prices and the insurance company comes and says use the after-market parts, the estimate charges change and the customer is not necessarily notified.

**SEN. EMERSON** asked if there was anyone present who had tried to get on Farmers Insurance "preferred list". **Ms. Ayers** answered that her shop has all the necessary equipment to be a Farmers Insurance repair shop but they are not one because Farmers have only a certain number of shops allowed. They had applied. Four and one half years ago, Farmers came and asked them if they met Farmers' standards. They sent in their application and never heard back. **Ms. Donna Fasteneau** said they had been on the

waiting list for about 1½ years. They had purchased all the equipment and met all the criteria but they are still waiting. **Mr. Crowley** responded that in the House hearing on this bill, a **Larry Deshner** from Great Falls had presented a letter **(EXHIBIT 16)** along the same lines as the people the committee had just heard from. The letter shows an insurance company telling him that they are not adding any more shops to their "list" for the time being.

**SEN. JOHN HERTEL** asked if is it correct to say that there are body shop organizations just within a city and only one state organization or what? **Mr. Crowley** said that the Great Falls Collision Association is a group of competitors in Great Falls who became very frustrated with the situation and organized themselves into a local organization. They were the ones who asked **Mr. Crowley** to give them some assistance with this bill. There has been an MCRS, Montana Collision Repair Specialists, and his sense is the organization has fluctuated in its vibrancy over time. Not all the shops in the state belong; in fact he believed the majority do not. They have come out in strong support of the concept of the bill but they wanted to have some amendments added.

**SEN. HERTEL** asked **Mr. Jack Gregg of MCRS** the same question. **Mr. Gregg** said that MCRS is the only statewide organization that he was aware of. They have an open invitation to any body shop in the state. The dues are a set amount. They have two meetings scheduled each year. They also have in the by-laws the option for local areas to organize in a chapter. The Great Falls Collision Assoc. is not organized in a chapter under MCRS.

**SEN. HERTEL** felt there were so many amendments to the bill and especially at the lateness of the hour of the session and asked the sponsor what her feelings were about the bill and the amendments? **REP. SCHMIDT** was glad to see the MCRS in strong support of the concept of the bill. The amendments would strengthen the bill. However, there is a lot of support for the bill as it is. What really matters is that this bill not be weakened. And it is very important that this bill go forward at least in its present form. **SEN. HERTEL** continued in saying that MCRS has proposed a lot of amendments. Was she in agreement with them? **REP. SCHMIDT** replied that she had not even seen them put into the context of the bill. It would be necessary to do that before answering the question.

**SEN. BENEDICT** asked **Mr. Ted Mumm** to give his opinion on some of the questions and answers just given. **Mr. Mumm** said that he also had a letter from Farmers Insurance telling him that they would put him on the Program at a later date. He used to do a lot of work for Farmers. They have just about shut him off all work. They really hurt his business.

Closing by Sponsor:

**REP. SCHMIDT** closed. As you know, we heard in this session a bill on Right to Work. The bill before you is not a right-to-work bill it is an access-to-work bill. All the proponents of this bill are asking for access to the work that they are trained and equipped to do. The insurance companies have moved in and set up the system for their own convenience. The independent repair shops are suffering under this system. I urge you to restore some balance to this industry that touches the lives of so many Montanans. Thank you.

# MINUTES

## MONTANA SENATE
## 55th LEGISLATURE - REGULAR SESSION

## COMMITTEE ON BUSINESS & INDUSTRY

**Call to Order:** By **CHAIRMAN JOHN HERTEL**, on March 25, 1997, at 9:00 A.M., in ROOM 410.

## ROLL CALL

**Members Present:**
Sen. John R. Hertel, Chairman (R)
Sen. Steve Benedict, Vice Chairman (R)
Sen. Debbie Bowman Shea (D)
Sen. William S. Crismore (R)
Sen. C.A. Casey Emerson (R)
Sen. Bea McCarthy (D)

**Members Excused:** None

**Members Absent:** None

**Staff Present:** Bart Campbell, Legislative Services Division
Mary Gay Wells, Committee Secretary

**Please Note:** These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Committee Business Summary:**
Hearing(s) & Date(s) Posted: None
Executive Action: HB 287; HB 388; HB 541; HB 543
HB 267 TABLED

*{Tape: 1; Side: A; Approx. Time Count: 9:04 AM; Comments: N/A.}*

## EXECUTIVE ACTION ON HB 267

Motion: **SEN. BEA MCCARTHY MOVED HB 267 BE CONCURRED IN.**

Discussion: **SEN. MCCARTHY** said that she had contacted a lawyer, **Randy Cox**, in Missoula. He replied that overall, the bill with the amendments had a number of problems and would shut the carousel down. The main problem was the carousel in Missoula is a permanent fixture and on page 7, line 3, was a concern. They throw brass rings for free rides and this would be a problem. On page 2, lines 13 and 14, concerning first aid stations, this would create a problem. **SENATORS JOHN HERTEL AND CASEY EMERSON** expressed concern about the intent of the bill that was based on carnivals coming to fairgrounds. They wondered about the number

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 3
DATE 3-30-97
BILL NO. HB 543

THE

# FARMERS INSURANCE GROUP OF COMPANIES

MISSOULA BRANCH CLAIMS OFFICE
2415 Catlin
P.O. Box 3417
Missoula, MT 59806
(406) 728-4220

November 21, 1996

John Applet
P.O. Box 75
Frenchtown, MT. 59834

INSURED: John Applet
CLAIMANT:
CLAIM NUMBER: 16-64724
LOSS DATE: 11-19-96

Dear Mr. Applet:

We have received notice of the above captioned loss involving your vehicle.

You have the right to have any repair facility of your choice complete the repairs of your vehicle. The company may make any reasonable and necessary adjustments to the estimate prepared by the shop of your choice to assure proper repairs.

Attached, please find a brochure and a list of body shops in your area which are approved by the Farmers Insurance Circle of Dependability program. The processing of your claim will be processed smoothly and quickly by selecting a shop from this list. The Circle of Dependability shop can write the estimate, order parts, and begin the work without a initial inspection by a Farmers Claims Representative. Additional advantages in using a Circle of Dependability shop include:

* A lifetime guarantee on workmanship for repairs related to this loss.
* To our insureds, Farmers Insurance will also provide a written warranty on repairs.
* All Circle of Dependability shops have met strict requirements regarding equipment, training an repair quality.

At your earliest convenience, please contact Sheila Hoffman at the Missoula Branch Claims Office 728-4220 to discuss the disposition of you claim.

Sheila Hoffman
Customer Service Clerk

# COD SHOP SHOP LIST

**Butte**

| | |
|---|---|
| JC Auto Body<br>3600 Harrison<br>Butte, Mt. 59701 | (406) 494-4041<br>Contact: Dan Costle |

**Helena**

| | |
|---|---|
| Helena Body & Paint<br>829 N. Warren<br>Helena, Mt. 59601 | (406) 442-8170<br>Contact: Ron Kennaugh |
| Jamies Westside Auto<br>1006 Euclid<br>Helena, Mt. 59601 | (406) 442-8611<br>Contact: Jamie Neer |

**Kalispell**

| | |
|---|---|
| Able Auto Body<br>2025 Hwy 2nd E.<br>Kalispell, Mt. 59604 | (406) 752-1125<br>Contact: Darrell Smith |

**Missoula**

| | |
|---|---|
| Russ's Body Shop<br>1111 N. Russell<br>Missoula, MT. 59801 | (406)549-9327<br>Contact: Russ or Rick |
| Rick's Auto Body<br>1920 Montana<br>Missoula, Mt. 59801 | (406) 549-5400<br>Contact: Rick Booth |
| Economy Body Specialists<br>400 Knowles<br>Missoula, MT. 59801 | (406) 721-4151<br>Contact: Ron Furrer |

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 4
DATE 3-20-97
BILL NO. HB 543

# STATEMENT TO THE COMMITTEE

Presented by Jack Gregg
Chairman, Board of Directors
Montana Collision Repair Specialists
March 20, 1997

Mr. Chairman, Members of the Montana Legislature Senate Committee on Business.

Thank you for the opportunity to address this committee and present testimony on House Bill No. 543. My name is Jack Gregg, and I am the President of the Montana Collision Repair Specialists. An organization with approximately 45 member businesses of the Auto Body Repair Industry in Montana. We are a young organization, formed in October of 1987, with members in all regions of our state. The Montana Collision Repair Specialists was organized to operate as a trade association, and I quote from its By-Laws, "to promote understanding and the common good of the collision repair industry through all lawful measures consistent with the public interest." Furthermore, we as an organization are committed to cooperate with other groups and associations in the common endeavor to advance the collision repair industry.

I would like to apologize to the committee for our late entry into the debate on House Bill 543, as, quite frankly, we were caught unaware, as an organization, of the legislation until after the House had held it's hearing, and passed the Bill to the Senate. We are not here to dictate, nor to be negative, we are here to present information. The MCRS is appearing as a proponent for the bill only with following language included..

I draw your attention to House Bill No. 543. The members of MCRS at our meeting held March 15, 1997, voted and approved to urge the committee to make the following changes:

In New Section (2). To strike paragraph A in its entirety. This paragraph's language, when taken with paragraph B, promotes and enables insurers to establish two "lists" to

provide their insured when requested.

To amend paragraph B to read, *"PROVIDING AN INSURED PERSON OR A CUSTOMER WITH A COMPLETE LIST OF ALL BODY SHOPS MEETING REASONABLE STANDARDS OF QUALITY, SERVICE, AND SAFETY WHEN THE LIST IS REQUESTED BY THE INSURED PERSON OR CUSTOMER; OR"*

In Section (3). To add back into the paragraph the stricken word *"PROMPTLY"* and to amend the new sentence in the paragraph to read *"THIS SECTION DOES NOT REQUIRE AN INSURER TO PAY MORE FOR AUTOMOBILE BODY REPAIR SERVICES THAN THE PREVAILING COMPETITIVE PRICE WHICH SHALL BE DEFINED AS THE PRICE CALCULATED USING NATIONALLY PUBLISHED ESTIMATING GUIDES AND DATA BASES. WHICH ARE ACCEPTED BY BOTH INSURERS AND REPAIRERS. COMBINED WITH THE LABOR RATE CHARGED BY THE MAJORITY OF REPAIR SHOPS IN THE LOCAL MARKET AREA, THAT HAVE THE EQUIPMENT REQUIRED TO REPAIR THE VEHICLE IN QUESTION TO PRE-ACCIDENT CONDITION."* We feel that all business's should be held accountable to paying for services rendered promptly and without delay. And what is more fair than allowing the market to dictate the prices for those services.

To strike New Section (4) in its entirety. Insurers have a contract with their insured to restore the insured vehicle to it's "pre-accident condition." If the insured prefers to have their vehicle repaired at Shop A rather than Shop B, the insurer is still obligated.

To amend New Section (6) to read *"AN INSURANCE COMPANY THAT CONTRACTS WITH AN INDEPENDENT ADJUSTER WILL BE HELD LIABLE TO THE INDEPENDENT ADJUSTER'S FAILURE TO COMPLY WITH THE TERMS OF THIS SECTION.* The members of MCRS feel that an Insurance Company that contracts with an

independent adjuster should not be relieved of its responsibility to follow the law.

To strike New Section. Section 2. Codification instruction. Title 33, chapter 18, part 2 applies to the automobile glass replacement industry. 33-18-221, 222, and 223 were enacted by the 1993 legislature, and devote their language exclusively to that industry. We suggest that codification be separate.

This statement condenses the position of the Montana Collision Repair Specialists and I thank you for your kind attention.

AMENDMENTS TO HOUSE BILL 543
THIRD READING

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 5
DATE 3-30-97
BILL NO. HB 543

1. Page 1, line 30 through page 2, line 3
Strike: subsection (A) in its entirety
Renumber: subsequent subsections

2. Page 2, line 4
Following: "WITH A"
Insert: "complete"
Following: "LIST OF"
Strike: "PARTICULAR"
Insert: "all"

3. Page 2, lines 12 through 13
Following: "SERVICES THAN"
Strike: the remainder of line 12 through "33-18-22." on page 2, line 13
Insert: "the prevailing competitive price. For the purposes of this section, the prevailing competitive price must be calculat by using the following factors:

(a) the rate for labor and materials calculated by using nationally published estimating guides and data bases which are accepted by both insurers and automobile body repairers; and

(b) the labor rate charged by the majority of automobile repair shops in the local market area that have the equipment required to repair a vehicle to pre-accident condition. "

4. Page 2, lines 16 through 19
Strike: section (4) in its entirety
Renumber: subsequent sections

5. Page 2, line 23
Following: "ADJUSTER"
Strike: "MAY NOT"
Insert: "will"

6. Page 2, line 24
Following: "LIABLE"
Strike: "TO"
Insert: "for"

FRANK Crowley

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 6
DATE 3-20-97
BILL NO. HB 543

SENATE COMMITTEE

Re. HB 543

I HAVE OWNED AND OPERATED A AUTO BODY SHOP IN FORTINE, MT SINCE 1970, AND I AM LOSING MORE CUSTOMERS EVERY YEAR DUE TO INSURANCE COMPANIES DIRECTING WORK TO THEIR "PREFERRED SHOPS."

OUR POTENTIAL CUSTOMERS MUST DRIVE 60 MILES OR MORE WHICH IS A HARDSHIP ON THEM AS WELL AS DESTROYING MY BUSINESS.

THEY, THE INSURANCE COMPANIES, ALSO INSIST THAT WE USE AFTER MARKET PARTS WHICH ARE OF INFERIOR QUALITY AND MAKE THE CUSTOMER PAY EXTRA FOR O.E.M. PARTS.

THEREFORE, I STRONGLY URGE YOUR SUPPORT OF H.B. 543.

SINCERELY:
L E Hilton

DBA:
CONRAD'S AUTO BODY
& GLASS
P.O. BOX 251
FORTINE, MT 59918
406-882-4455 + FAX

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 7
DATE 3-20-97
BILL NO. HB 543

# PETITION TO SUPPORT HOUSE BILL 543:
## The Auto body Shop Fair competition & Consumer Protection Bill

We, the undersigned, urge the 55th Montana Legislature to protect consumers and ensure fair and open competition between auto body shops - by passing House Bill 543. The bill guarantees the consumer's right to choose which auto body shop to use, and prevents unfair attempts by insurance companies either to influence or dictate consumer choices or to control the collision repair industry's ability to serve consumers.

For more information contact Dick Anderson, President, Great Falls Collision Association at (406) 454-2067 (Fax (406) 761-0997). Send completed petitions to Ted's Body Shop, 125 18th Street SW, Great Falls MT 59404.

Exhibit # 7 (200 pages)
Signatures in Support of HB543
The full exhibit is available from:
MT Historical Society Archives
225 North Roberts
P.O. Box 201201
Helena, MT 59620-1201
Phone # (406)444-4774

| Name | |
|---|---|
| Marty Wright | |
| Jeremy Scadron | |
| Vinton L. Terry | |
| Donna Segobello | |
| Scott Kohles | |
| Ruth Sigler | |
| Georgia Lembeck | Great Falls |
| Bob Merlo Genesa | Great Falls |
| Ed Merlo | " |
| Sue Merlo | " |
| CRAIG BROOKSHIRE | " |
| Bert Edmunds | GREAT FALLS |
| Catherine Emerson | Great Falls |
| Shane Nolan | Great Falls |
| Ethel J. Trainer | — |
| Mark Rinaldi | " |
| Phil Allen | " |

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 8
DATE 3-20-97
BILL NO. HB543

# Collision repair *Managed care for your car?*

Eager to hold the line on accident-repair costs, more insurers are directing claimants to "preferred" auto body shops. This "managed care" for cars can be convenient, but it could cost you.

Nearly three-quarters of all insurers have adopted some form of this cost-cutting approach, which they call "direct repair programs." Most companies make the program voluntary, and consumers may find it easy to use the body shop the insurer suggests: Simply drop the car off and it's fixed with no haggling over the cost or waiting for a claims adjuster to prepare a report.

Just how the car is fixed is another matter. Interviews with insurers, body-shop owners, car manufacturers, and appraisers led us to conclude that by their very agreement to hold their collision-repair costs to a minimum, body shops put themselves under pressure to cut corners. Some succumb by taping around exterior parts like door handles rather than remove them when they paint. This leaves areas where paint can chip, allowing rust to form. Others use plastic filler rather than replace a damaged body panel. Some even replace deployed air bags with salvaged ones.

One big area where the fender-menders hold down costs is by using generic—or even salvage—parts rather than new parts from your car's original manufacturer. For example, the hood of a Mazda 626 costs a body shop about $450 when bought from Mazda Corp.; a substitute hood may cost less than half as much.

Obviously, the original equipment manufacturers (OEM) object to the use of substitute parts because they want to sell more of their own. Still, they do have some evidence to support their assertions that generic parts don't fit as well, aren't as sturdy, and are more prone to rust.

You can usually have the car fixed at a shop of your choosing; most policies still afford you the right to negotiate with the insurer over how your car is repaired. If you do choose to go with a shop the insurance company suggests, look carefully at the estimate. If you see "LKQ" parts, that means substitute parts that are supposed to be of "like kind and quality," not OEM parts. Finally, when the repair work is complete, it may be worthwhile to have an appraiser check your car for any reduction in its value. Your policy should allow you to collect for any diminution.

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 9
DATE 3-20-97
BILL NO. HB 543

## CONCERNS ABOUT HOUSE BILL 543

1.WHEN THIS BILL WAS DRAFTED IT HAD INTENSION OF DE-LISTING SHOPS WE STILL HAVE TWO LISTS.

2. I THINK **A WARRANTY** BY THE SHOP AND THE INSURANCE CO. SHOULD BE A INCENTIVE. CUSTOMERS WANT TO KNOW SOMEONE IS STANDING BEHIND THE REPAIRS.

3. I WOULD LIKE TO SEE THE WORD **PROMPTLY** REINSERTED IN **SECTION 1 ITEM 3.** WHILE THIS IS NOT A PROBLEM WITH THE MAJOR INSURANCE COMANIES IT IS A PROBLEM WITH OTHER INSURANCE COMPANIES PAYING SUPPLEMENTALS CAN TAKE WEEKS.

4.I WOULD LIKE TO SEE INSURANCE COMPANIES THAT HIRE INDEPENDANT ADJUSTERS TO HANDLE THERE CLAIMS **HELD RESPONSIBLE** FOR DIRECTING WORK THROUGH INTIMIDATION OR COERCION.

5.ONLY APPROX 25% OF CLAIMS ARE PAID THROUGH **DRP'S** OF THE 25% PAID THROUGH DRP'S HALF HAVE PICKED THESE SHOPS BECAUSE THEY HAVE HAD WORK DONE THERE BEFORE OR THROUGH FRIENDS,RELATIVES OR NEIGHBORS RECOMMENDATIONS. THESE PROGRAMS OFFER CUSTOMERS A **HASSLE FREE** CLAIMS EXPERIENCE. IT WOULD SEEM TO ME THAT IF WE ARE CONCERNED ABOUT THE CUSTOMER THAT WE WOULD PROVIDE FOR THESE PROGRAMS TO EXIST DRP' REPAIR PROGRAMS ARE NOT FOR ALL CUSTOMERS OR ALL SHOPS BUT HAVE PROVED TO OFFER A CONVIENT CLAIMS PROCESS WITH A HIGH RATE OF CUSTOMER SATISFACTION WHICH IS GOOD FOR ALL INVOLVED.

6. I WOULD LIKE TO SEE SOME **MORE TIME** TO WORK ON THESE ISSUES WITH THE SPONCER OF THIS BILL. [redacted]

7. THE COLLISION REPAIR INDUSTRY HAS LOTS OF ISSUES BY WORKING TOGETHER TO MAKE SURE OUR CUSTOMERS GET EVERYTHING THEY HAVE COMING IS WHAT THEY PAY US ALL TO DO.

Gary D. Harris
Auto Body Specialists
Billings, Mt. 59105
406-259-1856

COLLISION REPAIR INDUSTRY INSIGHT

MARCH 1997 EXECUTIVE BUSINESS REPORT VOLUME 7 NUMBER 3

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 9A
DATE 3-20-97
BILL NO. HB 543

# Who Pays for What?

*Comparing Insurer P-Page Reimbursements for Common Non-Included Repair Operations...*

The results from our latest Who Pays for What? surveys, that were included with the December issue of INSIGHT are now in. Using this data we have compiled payment frequencies for the first 20 common non-included P-page operations.

Over 200 shops have reported their experiences on P-page reimbursement as of the writing of this article. As was the case last year, we included questions concerning the number of employees and their approximate annual gross sales.

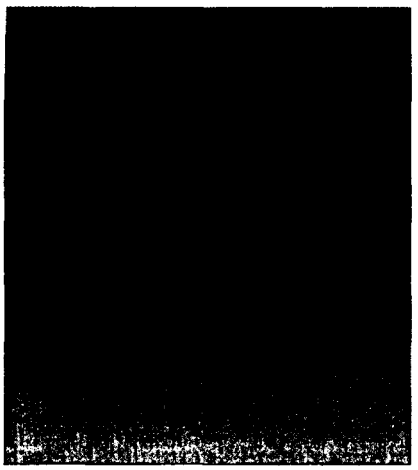
This year's Who Pays for What? Survey has highlighted some interesting trends that all collision repairers should consider in their business. First, all of the shops that responded to our survey have reported receiving reimbursements more frequently than last year. Increasingly, shops are focusing on P-page item reimbursement to bolster their bottom line. This is especially true in market areas that have been slow to receive labor rate increases.

The attitude of these shops, and wisely so, is that every additional labor hour can have almost as large an impact on profitability as an extra dollar per hour.

### The Big and Not So Big Spenders

Farmers retains the title of Fair Player given after the past two surveys. In 1995, we cited Farmer's willingness to pay for many non-included items as leading towards higher customer satisfaction with their

(continued on page 12)



See Story on Page 11

## Caliber Announces $20 Million Equity Investment

Caliber Collision Centers Inc. announced February 6 that Keystone Inc. (formerly The Robert M. Bass Group-not to be confused with Keystone Automotive) and Zurich Centre Investments Limited have invested $20 million in equity to support Caliber's efforts to consolidate the collision repair industry in California.

Caliber plans to use the capital to acquire quality, high volume collision repair centers. Its initial acquisition efforts are directed toward Southern California, future expansion into Northern California and additional states may follow.

Towards this end, simultaneous with the close of the financing, Caliber announced the acquisition of three collision repair centers in Hollywood,

(continued on page 2)

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## Who Pays for What

(continued from the first page)

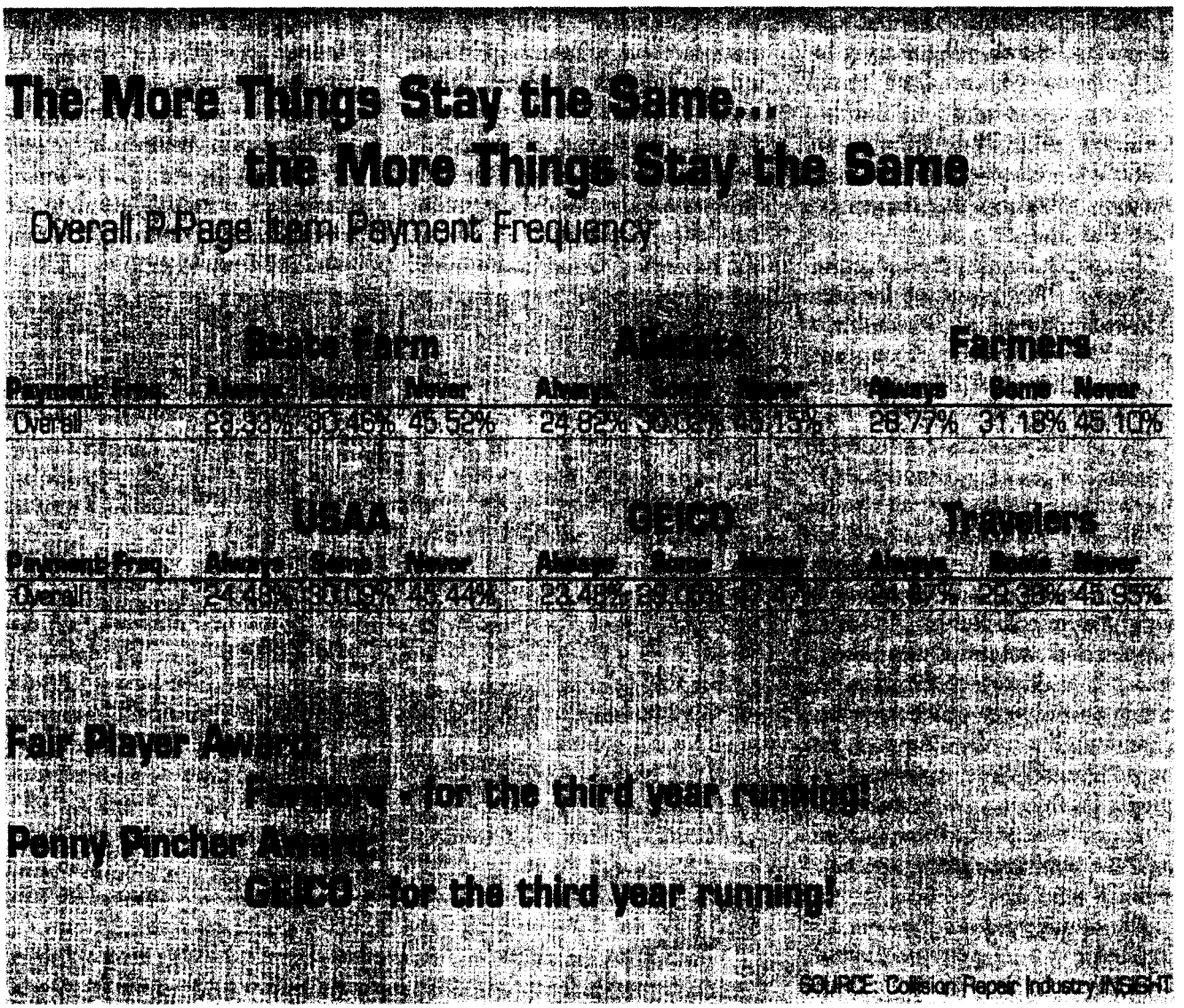
base of insureds. They have continued to follow this trend even while other insurer's pay for P-page items more frequently. Farmer's is closely followed by Allstate, with State Farm lagging slightly behind the number two insurer.

At the other end of the spectrum, GEICO was once again the least likely to pay for P-page items.. GEICO, who sells insurance directly to consumers, bypassing the traditional, local insurance agent, apparently takes a firm stand on cost-control related to P-page items. The insured's inability to complain to a local agent may be hindering their ability to help shops get paid for non-included repair items.

The most commonly paid P-page items in the first 20 questions were Freon recovery and clean-up of broken glass, and flexible parts paint additives. These are all fairly common items that have received a lot of attention from the industry-hence the high level of Always pay remarks.

The least commonly paid items in the first twenty include removal of rust protective coating during repair, diagnostic time, frozen parts free-up time and abnormal test fitting of parts. Perhaps shops aren't performing this service on a majority of their repairs.

In next month's issue of INSIGHT we will detail the remaining P-page item payment frequency and provide charts comparing the relative frequency of payments over the past two survey periods. Also, we will highlight differences in how payments are made in differing markets across the country. ❑


The More Things Stay the Same...
the More Things Stay the Same
Overall P-Page Item Payment Frequency
Farmers
Always Some Never
Overall 28.77% 31.18% 45.10%
Fair Player Award:
Farmers - for the third year running!
Penny Pincher Award:
GEICO - for the third year running!
SOURCE: Collision Repair Industry INSIGHT

| | State Farm | | | Allstate | | | Farmers | | |
|---|---|---|---|---|---|---|---|---|---|
| | Always | Some | Never | Always | Some | Never | Always | Some | Never |
| Collision Access Pull | 1.54% | 50.00% | 34.62% | 14.57% | 42.38% | 43.05% | 18.61% | 48.84% | 32.56% |
| Frozen Parts Free-Up Time | 0.66% | 17.22% | 82.12% | 1.34% | 18.12% | 80.54% | 2.36% | 20.47% | 77.17% |
| Diagnostic Time | 11.04% | 46.75% | 42.21% | 7.84% | 45.75% | 46.41% | 12.12% | 43.94% | 43.94% |
| Alignment Test [illegible] | 5.30% | 17.88% | 76.82% | 6.08% | 15.54% | 78.38% | 7.69% | 20.00% | 72.31% |
| [illegible] Jamb Sheet Panel Replacement | 39.47% | 36.18% | 24.34% | 36.42% | 37.75% | 25.83% | 39.23% | 38.46% | 22.31% |
| [illegible] | 7.01% | 14.01% | 78.98% | 4.55% | 18.18% | 77.27% | 7.41% | 20.74% | 71.85% |
| [illegible] Repair Kit | 17.53% | 27.27% | 55.20% | 17.88% | 30.46% | 51.66% | 20.30% | 33.08% | 46.62% |
| [illegible] Part - Aftm | 45.91% | 30.19% | 23.90% | 50.00% | 33.33% | 16.67% | 47.06% | 36.77% | 16.18% |
| [illegible] Decals, etc. | 16.67% | 38.46% | 44.87% | 19.08% | 40.79% | 40.13% | 24.06% | 38.35% | 37.58% |
| [illegible] Adhesive | 23.38% | 33.12% | 43.51% | 25.17% | 35.76% | 39.07% | 28.24% | 36.64% | 35.12% |
| [illegible] Handles, Locks, etc. | 36.13% | 47.10% | 16.77% | 37.26% | 45.10% | 17.67% | 41.48% | 43.70% | 14.82% |
| [illegible] for the Model | 36.77% | 28.39% | 34.84% | 40.13% | 26.32% | 33.55% | 44.03% | 20.90% | 35.08% |
| [illegible] alignment | 15.54% | 10.81% | 73.65% | 17.12% | 9.59% | 73.29% | 18.61% | 10.08% | 71.32% |
| [illegible] Recovery | 72.79% | 24.68% | 2.53% | 73.55% | 22.58% | 3.87% | 75.91% | 21.90% | 2.19% |
| [illegible] | 23.23% | 45.16% | 31.61% | 24.18% | 43.14% | 32.58% | 29.85% | 44.78% | 25.37% |
| [illegible] Primer | 18.18% | 29.22% | 52.60% | 16.45% | 32.90% | 50.66% | 17.29% | 33.08% | 49.62% |
| [illegible] Broken Glass | 56.96% | 36.08% | 6.96% | 58.07% | 34.19% | 7.74% | 56.62% | 36.03% | 73.53% |
| [illegible] Windshields | 10.64% | 9.93% | 79.44% | 13.14% | 9.49% | 77.37% | 12.50% | 11.67% | 75.83% |
| [illegible] | 25.81% | 47.74% | 26.45% | 29.61% | 42.11% | 28.29% | 33.33% | 41.67% | 25.00% |
| [illegible] Protective Coatings | 1.97% | 19.08% | 78.95% | 4.05% | 16.89% | 79.05% | 38.76% | 22.48% | 78.64% |

SOURCE: Collision Repair Industry INSIGHT

| P-Page Item | USAA | | | GEICO | | | Travelers | | |
|---|---|---|---|---|---|---|---|---|---|
| | Always | Some | Never | Always | Some | Never | Always | Some | Never |
| Collision Access Pull | 12.06% | 43.26% | 44.68% | 11.48% | 40.98% | 47.54% | 14.06% | 42.96% | 42.98% |
| Frozen Parts Free-Up Time | 2.99% | 17.99% | 79.10% | 1.71% | 17.95% | 80.34% | 3.42% | 18.80% | 77.78% |
| Diagnostic Time | 10.15% | 42.75% | 47.10% | 9.32% | 37.29% | 53.38% | 10.26% | 38.46% | 51.28% |
| Abnormal Test Fitting of Parts | 6.57% | 13.87% | 79.56% | 4.31% | 13.79% | 81.90% | 5.26% | 13.16% | 81.58% |
| Repair of Inside Jambs on Quarter Panel Replacement | 34.78% | 39.88% | 25.36% | 34.71% | 40.50% | 24.79% | 35.29% | 40.34% | 24.37% |
| Body Materials | 5.56% | 17.36% | 77.08% | 6.45% | 16.13% | 77.42% | 5.65% | 17.74% | 76.61% |
| Flex Parts Repair Kit | 19.57% | 28.98% | 51.45% | 15.70% | 28.93% | 55.37% | 16.67% | 28.33% | 55.00% |
| Flex Parts, Paint Add | 48.97% | 31.03% | 20.00% | 48.80% | 25.60% | 25.60% | 48.00% | 31.20% | 20.80% |
| Remove Stripes, Decals, etc. | 21.99% | 34.75% | 43.26% | 19.51% | 36.59% | 43.90% | 22.13% | 37.71% | 40.16% |
| Remove Molding Adhesive | 23.40% | 33.33% | 43.26% | 26.45% | 31.41% | 42.15% | 25.83% | 30.00% | 44.17% |
| Remove Door Handles, Locks, etc. | 35.21% | 50.00% | 14.79% | 29.84% | 50.00% | 20.16% | 32.00% | 50.40% | 17.60% |
| Drain Fuel Tank for Removal | 37.14% | 27.86% | 35.00% | 36.89% | 24.59% | 38.53% | 38.02% | 27.27% | 34.71% |
| Refill Fuel Tank after R&I | 14.71% | 12.50% | 72.79% | 13.45% | 11.77% | 74.79% | 14.66% | 10.35% | 75.00% |
| Freon Recovery | 73.43% | 23.08% | 3.50% | 72.00% | 23.20% | 4.80% | 74.60% | 20.64% | 4.76% |
| Misc Hardware, Rivets, etc. | 27.47% | 42.25% | 30.28% | 28.69% | 40.16% | 31.15% | 30.08% | 40.65% | 29.27% |
| Weld Thru Primer | 17.73% | 31.92% | 50.36% | 18.03% | 31.97% | 50.00% | 16.39% | 29.51% | 54.10% |
| Clean Up Broken Glass | 49.65% | 43.36% | 6.99% | 49.60% | 40.00% | 10.40% | 52.38% | 39.68% | 7.94% |
| Clean Up Glass from Pinchwelds | 11.72% | 9.38% | 78.91% | 9.91% | 10.81% | 79.28% | 11.71% | 12.61% | 75.68% |
| Sound Deadening Spray/Pads | 32.14% | 40.00% | 27.86% | 29.51% | 40.98% | 29.51% | 32.76% | 39.34% | 27.87% |
| Removal of Protective Coatings | 4.96% | 18.25% | 77.37% | 3.33% | 18.33% | 78.33% | 4.20% | 18.49% | 77.31% |

SOURCE: Collision Repair Industry Insight

Jan 18-1997

To Whom It May Concern:

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 10
DATE 3-20-97
BILL NO. HB53

Regarding Insurance on my Jeep I ran into a deer - This accident prevented me from driving it in order to get estimates for repair - I called my Insurance agent from Allstate Insurance. Later on I was contacted by an adjuster from Denver who told us to take it to Able Body Shop in Kalispell, Mt. as they had no adjusters in that region and were in the process of hiring another. So we took it to Able Body Shop who used "used" parts and they ordered two hoods so we objected to the rusted out one the first time - The second was loaded with plaster and all sanded underneath. We waited over 3 weeks to get it done and upon driving it home the molding fell off the hood less than a mile from Shop - There was an inch or better gap between the hood and

(Ables Body Shop
Is a Pro Shop)

And that's the way it should be. Our agent now tells us if we decide ourselves which place we wish to take it and then if we are unhappy with the results - we have no one but ourselves to blame. Which is very true and one thing insurance companies should remember and at least have two estimates.

Gertrude Chance

Chance
7533 - Hickory Hill Drive
Las Vegas, Nev. 89131

LAS VEGAS NV 890
PM
18 JAN
1997

LOVE

Ted's Body Shop
125 - 18th St. S.W.
Great Falls, MT 59404

Phone 702-655-1633

I went to Flawless got estimate → Pro Shop
for $1,752.87 Then went to Teds
Body Shop got one for $1,022.10.
I was told I could take
it to Flawless by Agent & Adjustor
and just leave it with no price.
Then I told them I wanted to
take it to Teds so in order to do
that I had to have Adjustor
look at it. then Adjustor wrot
an estimate for $735.49 leaving
~~some~~ off. I got alot of run
around. I have Farmers Insurance
estimates included.

1-17-97
John H Cary

Ted's Body Shop
received this letter

John Cary

# FLAWLESS AUTO BODY

2111

GREAT FALLS' MOST MODERN, STATE OF THE ART AUTO BODY REPAIR FACILITY

1111 38TH ST. N.
BOX 6044
GREAT FALLS, MT. 59406
(406) 727-8611
Fax: (406) 727-8651

FED ID#81-0346870

## Visible Damage Quotation #21112 by PAT TRACY on 12-30-96

JOHN H. CARY
1501 13 AVE SW TRLR #54

GREAT FALLS, MT 59404
Phone: 761-0177/
91 FORD TRUCK FORD PICKUP
VIN: 2FTDF15Y5MCA33997
Mileage: 0
Options:

Style : STD/CAB
Lic. Plate:
Paint Code:
Prod. Date:
Profile : STANDARD
Deductible: 0.00

Insurer : FARMERS INS.
Adjuster :
Appraiser:
Claimant :
Insured :
Policy # :
Claim # :

| # | Labor Op | Description | Price | Labor | Paint | Labor Group | Price Group |
|---|---|---|---|---|---|---|---|
| 1 | OVERHAUL | FRT BUMPER ASSY | 0.00 | 1.5 | 0.0 | BODY | |
| 2 | REPLACE | FRT BUMPER FACE BAR | 220.00* | INC | 0.0 | BODY | RECHROMED * |
| 3 | [illegible] | [illegible] FENDER PANEL | 0.00* | 1.0* | 2.5 | BODY | EXISTING * |
| 4 | [illegible] | [illegible] WHEEL OPENING MLDG | 36.42 * | 0.3 | 0.0 | BODY | NEW |
| 5 | [illegible] | [illegible] | 0.00 | 0.5 | 0.0 | BODY | |
| 6 | [illegible] | [illegible] | 179.83 * | 6.0 | 2.1 | BODY | NEW |
| 7 | [illegible] | [illegible] | 0.00 | 0.6 | 0.5 | REFINISH | |
| 8 | [illegible] | [illegible] ADHESIVE MOULDING | 72.28 * | 0.1 | 0.0 | BODY | NEW |
| 9 | [illegible] | [illegible] | 0.00* | 1.0* | 1.6 | BODY | EXISTING * |
| 10 | REPAIR | L PICK-UP BOX SIDE PANEL ASSY | 0.00* | 2.0* | 3.0 | BODY | EXISTING * |
| 11 | REPLACE | L PICK-UP BOX WHEEL OPENING MLDG | 36.42 * | 0.3 | 0.0 | BODY | NEW |
| 12 | ADL LABOR | R/L SIDE TRIM FOR PAINT | 0.00 | 1.0* | 0.0 | BODY * | |
| 13 | ADL OPER | CLEAR COAT | 0.00 | 2.5* | 0.0 | REFINISH | |

* Judgement Item

| Summary | Add'l Lbr | Sublet | Totals |
|---|---|---|---|
| BODY | 13.70 37.00 | | 506.90T |
| REFINISH | 10.30 37.00 | | 435.10T |
| Taxed Labor | | | 962.00 |

PAINT MATERIALS 246.00T
Taxed Costs 246.00

| | |
|---|---|
| NEW | 124.87T |
| RECHROMED | 220.00T |
| Taxed Parts | 344.87 |

| | |
|---|---|
| Labor ( 26.0 units) | 962.00 |
| Add'l Costs/Materials | 246.00 |
| Parts | 544.87 |

## Grand Total 1752.87

*****PARTS PRICES SUBJECT TO INVOICE*****
REPAIRS AND PARTS ORDER authorized by_____

date_____

ESTIMATE RECALL NUMBER: 12-30-96 10:34:28
Mitchell Data Version: DEC_96

EstiMate Plus is a trademark of Mitchell International
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# Ted's Body Shop

125 18th Street SW
Great Falls MT 59404
"HARD TO FIND BUT WORTH YOUR TIME"

Phone (406) 452-9447 Fax (406) 452-9435

## ESTIMATE OF REPAIRS

AS LISTED FOR LABOR AND MATERIALS
VERBAL AGREEMENTS NOT BINDING--ESTIMATES FREE

Owner John Casey
Address 1501 13th Ave. S.W #54 Phone 761-0122
Insurance Co. Farmers (Dave Campbell)
Address Deductable $500 Phone

Date 12-30-96
Est. No.
Order No.
License Number

Year 91 Make-Model Ford F150 Mileage 2 wheel Serial No. Standard Cab

| REPAIR | REPLACE | DESCRIPTION | REFINISH | PART | MATERIAL | LABOR |
|---|---|---|---|---|---|---|
| | ✓ | L front fender W/O mldg | | 36.42 | ✓ | .3 |
| | ✓ | L door repair panel (w/ trim) | | 179.83 | ✓ | 6.0 |
| | | | 2.5 | | | |
| | ✓ | L lower door mldg. | | 72.20 | ✓ | .2 |
| ✓ | | L cab corner | 1.0 | | | 1.0 |
| ✓ | | L lower front bot side | 2.0 | | | 2.5 |
| | ✓ | L lower front bot mldg. (6ft) | | 42.25 | ✓ | .2 |
| | | paint & refinish | | | | 5.5 |
| | | materials | | | 110.00 | |
| | | | | | 110.00 | |
| | | | | 331.20 | | 580.90 |
| | | | | | | 1022.10 |

PARTS PRICES BASED ON STANDARD CATALOG PROCUREMENT PRICE LISTS SUBJECT TO CHANGE WITHOUT NOTICE. PROCUREMENT AND DELIVERY CHARGES MAY BE ADDED FOR SPECIAL SERVICE ON ITEMS NOT AVAILABLE LOCALLY.

Old parts removed from cars will be junked unless otherwise instructed in writing.

The above is an estimate based on our inspection and does not cover additional parts or labor which may be required after the work has been opened up. Occasionally after work has started worn parts are discovered which are not evident on first inspection. Because of this the above prices are not guaranteed

Estimate Approved By

Date

| | |
|---|---|
| Paid Out-Tow & Storage | |
| Sublet Repairs | |
| TOTAL | |

# AUTO-TRUCK ESTIMATE

Date Assigned _____

| STATE | POLICY NUMBER | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 70 | 1 | 0 | 9 | 6 | 5 | 0 | 9 | 9 |

| SAIF CLAIM NO. | DATE OF LOSS MO. | DAY | YR. |
|---|---|---|---|
| 49-67308 | 12 | 27 | 96 |

Insured John Cray

Claimant _____

Car Location _____

| NAME OF REPAIR SHOP (Agree to complete and guarantee repairs listed below.) | ADDRESS: NO. STREET CITY | SHOP PHONE NO. |
|---|---|---|
| | | |

| YEAR | MAKE AND MODEL | IDENTIFICATION | LICENSE NO. | SPEEDOMETER |
|---|---|---|---|---|
| 91 | Ford Ext. Cab | 2FTDF15Y5MCB32997 | | |

| REPAIR | REPLACE | DESCRIPTION OF REPAIRS | Paint | LABOR | PARTS. | SUBLET |
|---|---|---|---|---|---|---|
| X | | Left fender | 1.0 | 1.0 | | |
| | | R + I F-150 Nameplate | | 0.2 | | |
| | X | Left fender wheel opening mld | | 0.3 | 36.42 | |
| X | | Left door | 1.0 | 2.5 | | |
| | X | Left door mld. - adhesive | | 0.1 | 72.20 | |
| X | | Cab left | 0.5 | 1.0 | | |
| X | | Box | 0.5 | 1.5 | | NOT Paint |
| | X | Box - wheel opening mld. | | 0.3 | 36.42 | X |
| | X | Box mld. Front adhesive | | 0.2 | 42.35 | |
| | | Clear coat | 1.0 | | | |
| | | Tint + Blend | 1.0 | | | |
| | | | 5.0 | 7.1 | 187.79 | |
| | | | | | | |
| | | | | | | |

Labor 13.1 Hrs. @ 37.00 = 447.70

Parts _____ = 187.79

Paint Mat'l 5.0 Hours $ 10.00 = 100.00

Sublet & Net Items _____

Sub Total 735.49

Cash Allow. _____

Item _____

Betterment _____

Amount Approved _____

Deductible _____

Net Payment _____

Supplement _____

☐ National Accounts Supplement

Inspector _____ Date Inspected _____

**CALIFORNIA ONLY:** For your protection California Law (Insurance Code §1871.2) requires the following to appear on this form. Any person who knowingly presents false or fraudulent claim for the payment of a loss is guilty of a crime and may be subject to fines and confinement in state prison. Every person who violates any provisions of Insurance Code §1871.4 subdivision (a) is punishable up to five years in the state prison or by a fine not exceeding $50,000 or by both.

**MICHIGAN ONLY:** Any person who knowingly and with intent to injure or defraud any insurer files an application or claim containing any false, incomplete, or misleading information shall, upon conviction, be subject to imprisonment for up to 1 year for a misdemeanor conviction or up to 10 years for a felony conviction and payment of a fine of up to $5,000.00.

**INDIANA ONLY:** A person who knowingly and with the intent to defraud an insurer files a statement of claim containing any false, incomplete or misleading information commits a felony.

**MINNESOTA AND OHIO ONLY:** Any person who, with intent to defraud or knowing that he/she is facilitating a fraud against an insurer, submits an application or files a claim containing a false or deceptive statement is guilty of insurance fraud.

**OKLAHOMA ONLY: WARNING** — Any person who knowingly, and with intent to injure, defraud or deceive any insurer, makes any claim for the proceeds of an insurance policy containing any false, incomplete or misleading information is guilty of a felony.

I HAVE OWNED AND OPERATED A AUTO BODY SHOP IN FORTINE, MT SINCE 1970, AND I AM LOSING MORE CUSTOMERS EVERY YEAR DUE TO INSURANCE COMPANIES DIRECTING WORK TO THEIR "PREFERRED SHOPS."

OUR POTENTIAL CUSTOMERS MUST DRIVE 60 MILES OR MORE WHICH IS A HARDSHIP ON THEM AS WELL AS DESTROYING MY BUSINESS.

THEY, THE INSURANCE COMPANIES, ALSO INSIST THAT WE USE AFTER MARKET PARTS WHICH ARE OF INFERIOR QUALITY AND MAKE THE CUSTOMER PAY EXTRA FOR O.E.M. PARTS.

THEREFORE, I STRONGLY URGE YOUR SUPPORT OF H.B. 543.

SINCERELY:
L E Hilton

DBA:
CONRAD'S AUTO BODY
& GLASS
P.O. BOX 251
FORTINE, MT 59918
406-882-4655 + FAX

Able is a pro shop

Conrads told Ted the Ins. Co. are pulling cars from every where and taking them to Ables in Kalispell. Ables is so busy he can't even get them all in waiting list.

I had a Badly Cracked Windsheild. Called the Ins. Co. told me to get it fixed the Diductable was 100.00 I had to pay that they Paid the rest.

they said to take it to Capitol Glass or. Central glass.
I asked the Man that replaced it what it cost. he said Different prices for Different Ins. Co.

Ardell Hull
Margret Hull

We were insured with Cagowell Ins.

Ted's Body Shop received this letter

(Tom Lebas) Polson Body Shop phone-883-9393
Fax 883-9394
(Attorney - Missoula Kevin Jones 721-7772
Fax - 721-7776
This Man - had to get an attorney to straighten Farmers Ins. out. You may want to contact this attorney

Phils Body Shop P.O. Box 573 East Helena, MT 59635
Phil or Terry Lamping

# YES!! I Want to Help -- Fax to: 406-761-0997

**Great Falls Collision Association**
**c/o Ted's Body Shop, 125 18th St. SW, Great Falls, MT 59404**

SENATE BUSINESS & INDUSTR
EXHIBIT NO. 10A
DATE 3-20-97
BILL NO. HB 543

Name Phil Lamping Business name Phils Body Shop

Address Box 573, East Helena, MT 59635

Phone (home) 227-8009 (work) 227-8009 (fax) NONE

1. Please describe *briefly* your experience
When someone c
INSURANCE WORK
to go to "Nameless"
have the right to
ANY shop they ch

Exhibit # 10A (12 pages)
Comments concerning HB543
**The full exhibit is available from:**
**MT Historical Society Archives**
**225 North Roberts**
**P.O. Box 201201**
**Helena, MT 59620-1201**
**Phone # (406)444-4774**

2. Please tell us the names/phone numbers information about these issues.
MANY people he doesn't EVEN see to explain this to!

3. Will you *testify* at a hearing in Helena? (circle one) YES (NO) MAYBE

Circle preferred day of the week: Mon Tues Wed Thurs Fri

4. Will you *attend* a hearing (but not testify) to lend visible support to our effort?
(YES) NO MAYBE

Circle preferred day of the week: Mon Tues Wed Thurs Fri

5. Will you *call* legislators when the time comes? YES (NO)

6. Will you make a financial contribution to this effort? (YES) NO

---

## Clip & Send with Your $ Contribution

*Make check payable to*: Great Falls Collision Association.
*Send to*: GFCA, c/o Ted's Body Shop, 125 18th St. SW, Great Falls, MT 59404

Your Name Phil Lamping Phone 227-8009 Amount Enclosed 25.00

Mailing Address Box 573, East Helena, MT 59635

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 11
DATE 3-24-97
BILL NO. HB 543

There are many difficult issues that effect our rapidly changing industry. Such as: Training to stay abreast of quickly changing technology in today's high tech vehicles, uniform repair procedures, the use of aftermarket parts, the issue of diminished value, as well as direct repair programs. Most of these issues will have to be worked out by a joint effort between the collision repair and insurance industry. However there is one issue that I believe the vast majority of the collision repair industry in Montana agrees should be legislated, and that is the consumers right to choose where their vehicle is repaired. I am sure that most of you have heard how some direct repair programs steer work to certain shops. In my area there are no DRP programs, but there is another way work is directed. This is by a system the insurance industry refers to as "Competitive Biding". I believe that this system does not allow free market competition. And this is why. Some shops consistently right estimates which reflect the insurance companies obligation to return the vehicle to its pre-accident condition. Other shops choose to use this process to obtain work by providing the customer with an estimate for the cheapest possible repair, often using procedures and parts which are not recommended by the original equipment manufacturer, thereby voiding the manufacturers warranty and devaluing the vehicle. A claim handled under the "Competitive Biding" system works like this: The insurance company instructs the customer to obtain two estimates. Upon receiving the estimates the insurance company informs the customer that they will pay only the amount of the lowest estimate. As I understand it, it is the policy of the Montana State Insurance Commissioner that the insurance company is obligated to pay the amount of the lowest complete estimate. However the insurance company rarely distinguishes which estimate is complete, and as far as I know, never which estimate will return the vehicle to its pre-accident condition. They simply pay the lowest. It is also the policy of the insurance commissioner that the customer can select the repair shop of their choice. But again the insurance company rarely informs the customer of this right unless the customer tells the insurance company he would like to have the shop that wrote the higher estimate repair his vehicle. In that case the insurance company informs the customer he will have to pay the difference. If the consumer were to pay out of pocket for repairs done to their vehicle, some would choose to have their vehicle repaired by a shop, that they know will repair their vehicle correctly, even if the price was higher than the lowest estimate obtained. This is free enterprise. When the insurance company is involved, by paying the lowest estimate , the insurance company revokes the right of the customer to choose the shop that will repair their vehicle, because most consumers can hardly afford their deductible, let alone several hundred or even as much as a thousand dollars over and above their deductible, to have their vehicle repaired correctly. By taking quality out of the free market equation of quality and price, free market competition no longer exists. This system of "Competitive Biding" is managed competition at its worst and it hurts my business on a daily basis. Please help me and our industry by passing this bill with the amendments proposed by the MCRS.

This statement was made by Jay Nelson

Dillon Collision Center
120 w. Franklin
Dillon, MT 59725
PH (406)683-5278 FAX (406)683-2079

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 12
DATE 3-20-97
BILL NO. HB 543

# HOUSE BILL 543
# PROPOSED AMENDMENTS
# STATE FARM INSURANCE COMPANY
# SENATE BUSINESS COMMITTEE
# MARCH 20, 1997

1. Page 1., line 30:
   After: "OF":
   Strike: "ALL"

2. Page 2., line 5:
   After: "MEETING"
   Strike: "REASONABLE"
   Insert: "THE INSURER'S"

   After: "SAFETY"
   Insert: "."
   Strike: Remainder of line 25 through "CUSTOMER" on line 26.

3. Page2., line 7:
   After: "BY"
   Insert: "the insurer or"

End

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 13
DATE 3-20-97
BILL NO. HB 543

Legislative Memorandum

Government Relations Group
Gough, Shanahan, Johnson & Waterman
33 South Last Chance Gulch
P.O. Box 1715
Helena, Montana 59624
Tel: 406-442-8560

Mr. Chairman and Members of the Senate Business & Industry Committee:

I appear here today on behalf of The Farmers Insurance Group of Companies in opposition to HB 543. This bill is aimed at eliminating a good business practice which benefits people who carry our insurance, need repair services, and clearly benefits the people who pay insurance premiums.

Farmers Insurance uses a program, for car repair services, called "The Circle of Dependability" to aid people who need repair services in selecting a shop to have this work performed. This program is based on requirements established by a national organization of repair shop owners known as the "Collision Industry Conference". Shops which achieve the rating of a Class A Collision Center must have all local state and federal licenses and permits, including:

Federal Tax I.D. Number
Evidence of Fire, Electrical Code and EPA Compliance
Workers Compensation Insurance
Evidence of compliance with OSHA regulations.
Possess an EPA number

These "Class A shops must have training programs for workers, leading to professional ratings (i.e. I-CAR, & ASE offered by paint equipment and vehicle manufacturers), have a metal inert gas welder (MIG) and technicians trained in proper welding techniques and certified in welding through I-CAR, ASAMI or the American Welding Society.

The shop must also be able to fully hoist the vehicle for inspection, have available current structural specifications for vehicles and for wheel alignment covering the make, model and year of the vehicle being repaired. Measuring devices

must be available covering three dimensions (symmetrical or asymmetrical or unibody structures) for the vehicle under repair and the shop must provide documentation of the availability and use of this equipment. All shop operators must have evidence of current training for the type of measuring devices used.

Frame straightening equipment using a four point anchoring system must be available and used in a suitable manner for the type of vehicle being repaired. This includes electrical and hydraulic equipment for multiple simultaneous body pulls and employees who know how to use this equipment.

Paint equipment, installation and training must be available to provide a manufacturer type finish. Paint clean up must meet environmentally sound standards. The employees must know how to determine if airbags and safety restraints are working properly and perform necessary repairs, to reclaim, evacuate and recharge vehicle air conditioning systems .

Most important from the standpoint of the insurer which must pay the bill, the Class A shop must have computer equipment which can produce what are known as P-logic Repair Estimates. This system is a national reference for the costs of materials and labor for repairs. This ability allows the insurer to accept the shops repair estimates quickly and with confidence that they meet a standard for reasonableness and reliability.

Finally the approved shop must offer a written warranty against defects in workmanship for at least three years.

IT IS THESE SERVICES THAT ALLOW FARMERS INSURANCE GROUP TO OFFER ITS OWN GUARANTEE TO THE CUSTOMER THAT THE WORK IS RELIABLE AND PROVIDE THE TRAVELLING PUBLIC WITH A FAST, EFFICIENT AND SAFE SOLUTION TO THE TROUBLES WE ALL MEET AS WE DRIVE ABOUT THE COUNTRY.

HB 543 in its present form will prevent Farmers from continuing with this program, and most important providing its own warranty of the work done. Farmers warranty would be considered an improper inducement.

HB 543 is objectionable because it interferes with the insurers right to properly adjust the claim, using methods presently approved in our policies and by the Montana Insurance Department.

HB 543 will hamper Farmers ability to keep the cost of insurance down. It will prevent the use of a program to improve repair quality for the consuming public, comply with safety and environmental standards and will harm our insureds by making reliable service and repair more difficult and result in higher premium costs.

In considering this bill, ask yourselves who HB 543 is intended to benefit. Ask how it will benefit the individual car owner and improve the speed and efficiency of repairs. Compare its effect to the programs and benefits now offered by Farmers and other insurers to their customers, the programs and benefits HB 543's passage will prevent.

PLEASE GIVE HB 543 A " DO NOT PASS"

Respectfully submitted,

Ward A. Shanahan
for Farmers Insurance Group

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 14
DATE 3-20-97
BILL NO. HB 543

THE FARMERS INSURANCE GROUP OF COMPANIES

MISSOULA BRANCH CLAIMS OFFICE
2415 Catlin
P.O. Box 3417
Missoula, MT 59806
(406) 728-4220

February 17, 1997

The first thing that I ask people when I call them is "Where do you want your car repaired?" If the answer is such and such a shop the COD Program isn't even brought and I process the claim accordingly with what needs to be done for the shop that they wish to use. If The person responds with "I don't know." or "Do you have and suggestions?" I then introduce the program to them. I explain that we have some shops on a program with us that you don't have to give us an estimate or have us look at your car and the shop guarantees the work as long as you have your car. I tell the shops in their area. I also tell them that if they wish to use another shop other than the ones I have listed that we will need to see the damage before it can be repaired. I will refer the claim as soon as I can to a field adjuster. They are also told they have the choice to use any shop that they wish and if they need time to think about it or the look at the shops that that is fine and I will wait to hear from them.

Sheila Hoffman.
Sheila Hoffman
Customer Service Clerk

FARMERS
EXHIBIT 1

THE

# FARMERS INSURANCE GROUP OF COMPANIES

MISSOULA BRANCH CLAIMS OFFICE
2415 Catlin
P.O. Box 3417
Missoula, MT 59806
(406) 728-4220

February 17, 1997

1~

INSURED: 2~
CLAIMANT: 3~
CLAIM NUMBER: 4~
LOSS DATE: 5~

Dear6~:

We have received notice of the above captioned loss involving your vehicle.

You have the right to have any repair facility of your choice complete the repairs of your vehicle. The company may make any reasonable and necessary adjustments to the estimate prepared by the shop of your choice to assure proper repairs.

Attached, please find a brochure and a list of body shops in your area which are approved by the Farmers Insurance Circle of Dependability program. The processing of your claim will be processed smoothly and quickly by selecting a shop from this list. The Circle of Dependability shop can write the estimate, order parts, and begin the work without a initial inspection by a Farmers Claims Representative. Additional advantages in using a Circle of Dependability shop include:

- A lifetime guarantee on workmanship for repairs related to this loss.
- To our insureds, Farmers Insurance will also provide a written warranty on repairs.
- All Circle of Dependability shops have met strict requirements regarding equipment, training an repair quality.

At your earliest convenience, please contact Sheila Hoffman at the Missoula Branch Claims Office 728-4220 to discuss the disposition of your claim.

FARMERS
EXHIBIT 2

Sheila Hoffman
Customer Service Clerk

THE **FARMERS INSURANCE GROUP** OF COMPANIES

MISSOULA BRANCH CLAIMS OFFICE
2415 Catlin
P.O. Box 3417
Missoula, MT 59806
(406) 728-4220

Dear Insured:

We have received notice from a body shop that you had gone for an estimate and would like to have your car repaired. If you would like for us to handle this claim, please contact this office at 728-4220. If you have already notified your agent of this loss, please ask them to call us at this office. At this time, we are not showing a record of this loss. Thank you.

Sincerely,

FARMERS INSURANCE GROUP OF COMPAINIES

Sheila Hoffman
Claims Service Clerk

SH

FARMERS
EXHIBIT 2A

THE FARMERS INSURANCE GROUP OF COMPANIES

MISSOULA BRANCH CLAIMS OFFICE
2415 Catlin
P.O. Box 3417
Missoula, MT 59806
(406) 728-4220

February 17, 1997

1~

INSURED: 2~
CLAIMANT: 3~
CLAIM #: 4~
LOSS DATE: 5~

Dear6~,

We have received notice of your loss. We have been unable to contact you by phone. Attached is a loss report the way the accident was reported to us. If we do not hear from you immediately we will assume the facts of the accident are correct and will proceed to process the claim made against your policy. If you have any questions please contact Sheila Hoffman at the Missoula Branch Claims Office at (406) 728-4220.

Sincerely,

Sheila Hoffman
Customer Service Clerk

FARMERS
EXHIBIT 20

FEB 17 '97 10:50 FROM MISSOULA BCO #016 PAGE.005

The CIRCLE OF DEPENDABILITY facilities must meet many Environmental Protection Agency requirements during the repair and paint process. All CIRCLE OF DEPENDABILITY facilities have been screened for compliance with local, state and federal laws and regulations.

Automotive technology has changed dramatically over the past few years, and repair technology must keep pace. A great deal of care and investigation goes into the selection of the CIRCLE OF DEPENDABILITY facilities. This means that your claim is processed quickly and your car is repaired by experts.

For nearly 70 years, Farmers has been devoted to giving our policyholders the fast, fair and friendly service for which we are famous.

Our goal is not only to give you superior service, but also to give you the peace of mind that comes from knowing you are being properly and economically protected.

It's a pleasure to serve you.

**Farmers Insurance Group of Companies®**

Los Angeles, CA 90051-2478

America Can Depend on Farmers®

© 1996 Farmers Group, Inc. ®

*Circle* ABILITY

**Excellent Customer Service**
**Quality Repairs**
**Lifetime Warranty**

Farmers Insurance Group of Companies®

FARMERS EXHIBIT 35

# FARMERS INSURANCE GROUP OF COMPANIES

*CLAIMS DEPARTMENT*

*INTER-OFFICE CORRESPONDENCE*

*Pocatello Regional Office*
*2500 South 5th*
*Pocatello, Idaho 83201*

| Post-it® Fax Note 7671 | Date 2/17/97 | # of pages ▶ 2 |
|---|---|---|
| To Terry Hunt | From P. Sebang | |
| Co./Dept. Missoula BCO | Co. Pocatello | |
| Phone # | Phone # | |
| Fax # | Fax # | |

**DATE:** July 10, 1995

**TO:** Mike Malito, GCA
Regional Claims Manager

**FROM:** Pocatello Regional Claims

**SUBJECT:** **MONTANA CIRCLE OF DEPENDABILITY QUESTIONNAIRE - 1994**

**Recap of Results**

Mailed out 2,305 questionnaires.
Received back 522, or 22.6%.

Question #1. How were you made aware of the Circle of Dependability Program?

| | | |
|---|---|---|
| Agent | 263 | 50.4% |
| Claims Personnel | 73 | 14.0% |
| Other | 76 | 14.6% |
| No Answer | 110 | 21.0% |

Question #2. Was the Circle of Dependability Program adequately explained to you?

| | | |
|---|---|---|
| Yes | 316 | 60.5% |
| No | 142 | 27.2% |
| No Answer | 54 | 12.3% |

Question #3. Were you advised that you had a choice of repair facilities?

| | | |
|---|---|---|
| Yes | 425 | 81.4% |
| No | 57 | 10.9% |
| No Answer | 40 | 7.7% |

Question #4. Were you contacted within a reasonable time after reporting your claim?

| | | |
|---|---|---|
| Yes | 452 | 86.6% |
| No | 24 | 4.6% |
| No Answer | 46 | 8.8% |

FARMERS EXHIBIT 4

Question #5. Were you treated with courtesy and consideration?

| | By Shop | | | By Claims Personnel | |
|---|---|---|---|---|---|
| Yes | 471 | 90.2% | Yes | 421 | 80.7% |
| No | 13 | 2.5% | No | 21 | 4.0% |
| No Answer | 38 | 7.3% | No Answer | 80 | 15.3% |

Question #6. Was an adequate explanation of the handling of your claim provided so that you knew what to expect?

| | | |
|---|---|---|
| Yes | 431 | 82.6% |
| No | 36 | 6.9% |
| No Answer | 55 | 10.5% |

Question #7. Was your vehicle repaired in a timely manner?

| | | |
|---|---|---|
| Yes | 453 | 86.8% |
| No | 26 | 5.0% |
| No Answer | 43 | 8.2% |

Question #8. Were the repairs properly completed to your satisfaction?

| | | |
|---|---|---|
| Yes | 442 | 84.7% |
| No | 33 | 6.3% |
| No Answer | 47 | 9.0% |

Quintin Harral
APD Claims Manager

QH:ca

# Collision Industry Conference
# Minimum Recommended Requirements for a "Class A" Collision Center
**(Revised November 6, 1996)**

1. Established business location in compliance with local zoning laws and acceptable retail standards.

2. Have all local, state and federal licenses and permits. Operate in accordance with regulations. Examples:
   a. Sales Tax I.D. Number
   b. Federal Tax I.D. Number
   c. Fire, Electrical Code and EPA Compliance
   d. Workers' Compensation Insurance
   e. OSHA Requirements
   f. EPA Number

3. Proof of garage liability insurance and garage keeper's legal liability insurance or equivalent.

4. The ability to produce computerized, procedure-page/P-page logic estimates.

5. Shop management will show evidence (transcript or certificate) of training in current management subjects, followed by ongoing attendance of at least one course per year in related management subjects.

6. Belongs to and participates in an auto collision trade association and subscribes to a code of ethics such as those put forth by many trade associations.

7. Evidence of recent and ongoing employee technical training and certification programs (i.e., I-CAR, ASE, training offered by paint, equipment or vehicle manufacturers, etc.)

8. Have a metal inert gas (MIG) welder, and technicians trained in proper welding techniques and certified in welding through I-CAR, ASAMI or the American Welding Society.

9. Have the ability to fully hoist a vehicle for inspection.

10. Maintain a source of current structural specifications covering the vehicle structure and wheel alignment specifications for the make, model, and year of the vehicle being repaired

11. A measuring device capable of measuring in three dimensions (symmetrical or asymmetrical unibody structures) for the type of vehicle repaired, and provide written structural documentation by computer printout or a written explanation. All operators must have evidence of current training for the type of measuring device being used.

12. Four-point anchoring system capable of holding a vehicle in a stationary position during

FARMERS
EXHIBIT 5

structural and body pulls which is suitable for the specific type of vehicle being repaired.

13. Electrical or hydraulic equipment capable of making simultaneous multiple body or structural pulls for repairs as well as evidence of recent technical training or competence on the type of equipment being used.

14. A pressurized spray booth meeting current federal and local requirements.

15. Ability to complete and verify four-wheel alignment through computer printout either from an in-house alignment system or a qualified sublet alignment provider.

16. Offer a written warranty against defects in workmanship for at least three years.

17. Ability to remove and reinstall suspension, engine and drivetrain.

18. A paint mixing and application system capable of producing an original equipment manufacturer-type finish.

19. Demonstrates a concern for the environment by use of high transfer efficiency spray equipment, gun cleaners and other emission reducing equipment.

20. Must have employees who are qualified to diagnose airbags and safety restraints, and capable of completing OE-specified repairs using in-house equipment with certified technicians, or utilize a qualified sublet provider with certified technicians.

21. Ability to reclaim, evacuate and recharge vehicle air conditioning systems using in-house equipment and certified technicians or a qualified sublet provider.

22. Documented ongoing measurement and reporting of customer satisfaction.

-end-

| Post-it® Fax Note 7671 | Date 2/19 | # of pages ▶ 2 |
|---|---|---|
| To Dick Herda | From Quentin Wenal | |
| Co./Dept. Missoula BCO | Co. POC. R.O. | |
| Phone # | Phone # | |
| Fax # | Fax # | |

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 15
DATE 3-20-95
BILL NO. HB 543

THE AARP AUTO INSURANCE PROGRAM

# SUMMARY OF ADVANTAGES

As an AARP Member, age 50 or over, the following benefits and privileges will automatically be included in your policy at no additional premium once you become insured under the AARP Auto Insurance Program. Here's what you'll be guaranteed:

## LIFETIME RENEWABILITY

Once insured with the AARP Program from The Hartford, you can never be dropped — regardless of your age or accident record. As long as a few simple requirements are met — like maintaining a valid license, for example* — we'll guarantee to renew your protection for as long as you want to drive. In short, you can count on having auto insurance for the rest of your life.

## 12-MONTH RATE PROTECTION

Our 12-month policy helps you keep your rates lower longer. In most states, major insurers generally offer only 6-month policies — and the possibility of a rate increase twice a year. But the AARP Program from The Hartford guarantees your rates for a minimum of one full year.

## FULL REPLACEMENT VALUE FOR NEW CARS

If you have a total loss within 6 months or 7,500 miles (whichever comes first) of purchasing a new car, we won't just pay you "book value"...we'll buy you a brand new car — the exact same make, model and equipment. Or, we'll pay you the purchase price in cash — without any deduction for depreciation.

## WAIVER OF COLLISION DEDUCTIBLE

When you're not at fault in an accident, you won't have to pay the deductible in most cases. We'll pick up the deductible — as well as the damages — and pay you the full amount.

## LIFETIME REPAIR SATISFACTION

When your car's damaged in an accident, we'll not only pay to have it fixed, we'll make sure it gets fixed right. Just take it to one of our specially authorized local repair shops in your area, and we'll guarantee the workmanship of the repairs for as long as you own your car. No estimates or claim forms are required!

## $10,000 ACCIDENTAL DEATH BENEFIT

Because auto accidents are one of the biggest causes of death in the United States today, the AARP Auto Insurance Program from The Hartford provides you with a $10,000 Accidental Death Benefit — paid in addition to any other coverage you may have — in the event of a death due to an auto accident in which the insured and everyone else in the car is wearing seat belts.

* If you are age 50 or older, once you're insured through this Program for at least 60 days, you cannot be refused renewal — as long as applicable premiums are paid when due. Also, you and other customary drivers of your vehicles must retain valid licenses, remain physically and mentally capable of operating an automobile, have no convictions for driving while intoxicated, and have not obtained your policy through material misrepresentation.

Applicants are individually underwritten and some may not qualify.

Specific features and discounts vary by state in accordance with our state filings and applicable law.

The AARP Auto Insurance Program is provided by ITT Hartford Group, Inc. (Hartford Underwriters Insurance Company, Hartford Insurance Company of the Midwest), Hartford, CT. AARP membership is required for Program eligibility in most states.

AARP AUTOMOBILE INSURANCE PROGRAM
ITT HARTFORD
Hartford, CT 06155

Ward Shanahan

7226PPN-2

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 16
DATE 3-20-97
BILL NO. HB 543

THE FARMERS INSURANCE GROUP OF COMPANIES

BILLINGS BRANCH CLAIMS OFFICE
125 25th Street West
P. O. Box 21477
Billings, MT 59104-1477
(406) 652-3200

May 9, 1996

Larry Deshner/Auto Shop
820 5th Street South
Great Falls, Montana 59405

Dear Mr. Deshner:

Thank you for your letter of May 6, 1996.

We have sent a copy of your correspondence to our Regional Office and a copy has been provided to our auto supervisor, Tom Bryan. We assure you we will review your information fully.

Unfortunately, we have no plans of adding any repair facilities to our Circle of Dependability Program at this time.

Our current number of shops is sufficient to handle our customer's needs. If this situation should change in the future, however, we would gladly consider your facility.

Nevertheless, as in all situations, our customers are free to choose any repair facility they want. We merely advise our insureds of our program. They make the ultimate decision.

If you would like to discuss this matter in more detail, please contact the undersigned.

Regards,

FARMERS INSURANCE GROUP

Gary Dempsey

Gary Dempsey
Branch Claims Manager

GD:kay

cc: Tom Bryan
Branch Claims Supervisor

Quintin Harral
APD Claims Manager
Pocatello RO

*{Tape: 1; Side: B; Approx. Time Count: 10:01 AM; Comments: A 10 MINUTE BREAK WAS TAKEN.}*

## EXECUTIVE ACTION ON HB 543

Motion: SEN. DEBBIE SHEA MOVED HB 543 BE CONCURRED IN.

Discussion: Two different sets of amendments were discussed. One set was submitted from **Mr. Brooks**, the Montana Collision Repair Specialists **(EXHIBIT 4) hb054301.abc.** Their position is still the same: they oppose the bill if the amendments are not included. The second set was prepared by **GREG VAN HORSSEN (EXHIBIT 5) hb054302.abc. SEN. BENEDICT** asked which legislator asked for these amendments. **Mr. Campbell** said no legislator. **REP. SCHMIDT** had provided a letter responding to these amendments and she said that in practice these amendments strengthen the bill. The timing of the amendments coming in so late in the process is awkward. **SEN. BENEDICT** stated that since these amendments were not requested by a legislator, the amendments should not be considered. He would like to see the bill move forward without consideration of the amendments **(Exhibit 4)**. Maybe the committee should look at the State Farm amendments and wait a couple of years for further refining. He had spoken with **Mr. Campbell** concerning this set of amendments and were put together at his request.

Amendments: SEN. BENEDICT MOVED TO AMEND HB 388 (EXHIBIT 5) hb054302.abc.

Vote on Amendments: THE MOTION FAILED with SENATORS SHEA, MCCARTHY AND CRISMORE voting NO: 3-3

Substitute Motion/Vote: SEN. BENEDICT MOVED TO TABLE HB 543. THE MOTION FAILED with SENATORS MCCARTHY, SHEA AND CRISMORE voting NO: 3-3

Vote: THE MOTION THAT HB 543 BE CONCURRED IN CARRIED with SENATORS EMERSON AND HERTEL voting NO: 4-2

*{Tape: 1; Side: B; Approx. Time Count: 10:21 AM; Comments: N/A.}*

## EXECUTIVE ACTION ON HB 541

Motion/Vote: SEN. WILLIAM CRISMORE MOVED HB 541 BE CONCURRED IN. THE MOTION CARRIED UNANIMOUSLY: 6-0 SEN. CRISMORE WILL CARRY.

HOUSE BILL NO. 543

INTRODUCED BY SCHMIDT, PROUSE, STOVALL, RYAN, BECK, TUSS, KEENAN, BRAINARD, PAVLOVICH, FOSTER, OHS, SLITER, WAGNER, SWYSGOOD, CRISMORE, AHNER, DEVANEY, ANDERSON, GILLAN, MCCULLOCH, EWER, HARRINGTON, LAWSON, MOOD, WELLS, TASH, PEASE, MENAHAN, KRENZLER, BOOKOUT, TROPILA

A BILL FOR AN ACT ENTITLED: "AN ACT PROHIBITING AN INSURANCE COMPANY FROM REQUIRING AN INSURED PERSON TO USE A SPECIFIC AUTOMOBILE BODY REPAIR SHOP; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. **Section 1. Designation of specific automobile body repair shops prohibited.** (1) An insurance company, including its producers and adjusters, that issues or renews a policy of insurance in this state covering, in whole or in part, a motor vehicle may not:

(a) require that a person insured under the policy use a particular automobile repair business or location; or

(b) engage in any act or practice that intimidates, coerces, or threatens an insured person or provides an incentive or inducement for an insured person to use a particular automobile repair business or location. ~~For the purpose of this section, an insurance company's reference to a warranty issued by an automobile body repair service is not considered an incentive or inducement.~~

~~(2) If an insurance company, including its producers and adjusters, provides an insured with a list of particular automobile repair businesses or locations, in addition to the prohibition in subsection (1)(b), the insurance company may not state, suggest, or imply that an automobile body repair service not on the list does not:~~

~~(a) provide prompt, dependable, or quality service;~~

~~(b) provide warranties or guarantees on work quality; or~~

~~(c) have adequate equipment or trained personnel.~~

(2) FOR THE PURPOSES OF THIS SECTION, AN INCENTIVE OR INDUCEMENT DOES NOT INCLUDE:

(A) PROVIDING AN INSURED PERSON OR A CUSTOMER WITH A LIST OF ALL ESTABLISHED

AUTOMOBILE REPAIR BUSINESSES OR LOCATIONS REASONABLY CLOSE TO THE INSURED PERSON OR CUSTOMER THAT OFFER A WARRANTY FOR THE AUTOMOBILE REPAIR SERVICES PROVIDED BY THE BUSINESSES OR LOCATIONS;

(B) PROVIDING AN INSURED PERSON OR A CUSTOMER WITH A LIST OF PARTICULAR BODY SHOPS MEETING REASONABLE STANDARDS OF QUALITY, SERVICE, AND SAFETY WHEN THE LIST IS REQUESTED BY THE INSURED PERSON OR CUSTOMER; OR

(C) REFERRING TO A WARRANTY ISSUED BY AN AUTOMOBILE REPAIR BUSINESS OR LOCATION.

(3) The insured may use a ~~company~~ BUSINESS or location at the insured's sole discretion, and ~~subject to subsection (4),~~ the insurance company shall ~~promptly~~ pay for the REASONABLE AND NECESSARY cost of the automobile body repair services for covered damages, less any deductible under the terms of the policy. THIS SECTION DOES NOT REQUIRE AN INSURER TO PAY MORE FOR AUTOMOBILE BODY REPAIR SERVICES THAN THE LOWEST PREVAILING MARKET PRICE, AS DEFINED IN 33-18-222.

~~(4) This section does not require an insurer to pay more for automobile body repair services than the lowest prevailing market price, as defined in 33-18-222.~~

(4) IF THE INSURED PERSON USES AN AUTOMOBILE REPAIR BUSINESS OR LOCATION NOT ON A LIST PROVIDED UNDER SUBSECTION (2)(A) OR (2)(B), THE INSURANCE COMPANY MAY NOT BE HELD LIABLE FOR ANY REPAIR WORK PERFORMED BY THE AUTOMOBILE REPAIR BUSINESS OR LOCATION THAT THE INSURED PERSON CHOOSES TO USE.

(5) IT IS UNLAWFUL FOR AN AUTOMOBILE REPAIR BUSINESS OR LOCATION TO CHARGE OR AGREE TO CHARGE AN INSURED CUSTOMER MORE THAN AN UNINSURED CUSTOMER FOR ANY AUTOMOBILE REPAIR SERVICE.

(6) AN INSURANCE COMPANY THAT CONTRACTS WITH AN INDEPENDENT ADJUSTER MAY NOT BE HELD LIABLE FOR THE INDEPENDENT ADJUSTER'S FAILURE TO COMPLY WITH THE TERMS OF THIS SECTION.

~~(5)~~(7) For purposes of this section, "automobile repair business or location" does not include a business or location that EXCLUSIVELY provides automobile glass replacement, glass repair services, or glass products.

NEW SECTION. **Section 2. Codification instruction.** [Section 1] is intended to be codified as an

integral part of Title 33, chapter 18, part 2, and the provisions of Title 33, chapter 18, part 2, apply to [section 1].

NEW SECTION. **Section 3. Effective date.** [This act] is effective on passage and approval.

-END-